

China, autocratic cooperation and autocratic survival

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List of abbreviations

<i>ASEAN</i>	Association of Southeast Asian Nations
<i>BCP</i>	Burma Communist Party
<i>BTSCS</i>	binary time-series-cross-section
<i>CCP</i>	Chinese Communist Party
<i>CDC</i>	Council of the Development of Cambodia
<i>CPP</i>	Cambodian People's Party
<i>DP</i>	Democratic Party
<i>FUNCINPEC</i>	Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique, et Coopératif
<i>KPRP</i>	Kampuchean People's Revolutionary Party
<i>MPRP</i>	Mongolian People's Revolutionary Party
<i>NGO</i>	non-governmental organization
<i>NLD</i>	National League for Democracy
<i>ODA</i>	official development assistance
<i>OLS</i>	ordinary least squares
<i>PLA</i>	People's Liberation Army
<i>PRC</i>	People's Republic of China

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<i>RCAF</i>	Royal Cambodian Armed Forces
<i>SOE</i>	state-owned enterprise
<i>SCO</i>	Shanghai Cooperation Organization
<i>SOC</i>	State of Cambodia
<i>SLORC</i>	State Law and Order Restoration Council
<i>SPDC</i>	State Peace and Development Council
<i>UN</i>	United Nations
<i>UNTAC</i>	United Nations Transitional Authority in Cambodia
<i>USDA</i>	Union Solidarity and Development Association
<i>UWSA</i>	United Wa State Army

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1. Introduction

‘Authoritarian capitalist states, today exemplified by China and Russia, may represent a viable alternative path to modernity, which in turn suggests that there is nothing inevitable about liberal democracy’s ultimate victory or future dominance’ (Gat 2007, 60).

As the third wave of democratization ebbed away in the 2000s, a growing interest in the causes for autocratic survival was emerging.¹ After a decade that was dominated by a focus on democratization and transitology the ‘turning tides’ in freedom (Puddington 2007), the ‘rollback of democracy’ (Diamond 2008) or the end of the transition paradigm (Carothers 2002) was declared. Even those who view the current situation more optimistically as one in which liberal democracy is not at the retreat, but systemic competition is merely frozen, come to the conclusion that the number of autocracies is unlikely to decrease over the coming years (Merkel 2010).

While one might doubt whether democracy is really on the retreat, one parallel trend, the re-emergence of two autocratic major powers China and Russia, is undeniable (Gat 2007). For a long time already, the Chinese government has been accused of protecting dictatorships in North Korea, Burma or Sudan (Storey 2007b,a; Choo 2008; Kleine-Ahlbrandt and Small 2008). More recently, it has been criticized to be at the cutting edge of campaigns to stifle free expression domestically as well as abroad (Puddington 2010; Farah and Mosher 2010).

With the recent global financial crises, China has, however, also become increasingly attractive to other regimes which, even though less despotic, searched for alternatives to the Western development path and value system (Kurlantzick

¹Please note that parts of this section have been presented earlier in a conference paper at the IPSA/ECPR Joint Conference in Sao Paulo 2011.

2008). To many young democracies or hybrid regimes with democratic shortfalls, the breakdown of the global financial system symbolized the failure of the Western liberal model not only economically, but also politically. While many Western governments experienced increased political pressure as a consequence of economic difficulties, the Chinese economy and leadership, after the financial crisis, seemed stronger than ever (Halper 2010). China has become increasingly active in many parts of the world as an investor and an alternative donor since the beginning of the new millennium, but even more so after the global financial crisis (Kobayashi 2008; Brautigam 2009).

Given their simultaneity, some have tried to establish a link between the trends of stagnation of democratization and the rise of powerful non-democratic powers (Kagan 2008; Puddington 2007). The Chinese government has countered the accusation that it is helping autocratic leaders to survive by referring to its adherence to the five principles of peaceful coexistence and non-interference. In the meantime, among scholars, the discussion of whether the Chinese government acts as a patron for autocratic regimes and whether this alleged support has made the world more authoritarian and has helped autocratic leaders to bolster their power respectively has to a certain degree developed into a question of belief.

This thesis attempts to find an answer to the empirical question whether the rise of China is a cause of autocratic longevity. In this attempt, this thesis is connected to several scientific debates. The scepticism about the prospects of democratization in the future which followed the perception that a transition to democracy is by no means inevitable or irreversible necessarily boosted the research interest in autocratization and autocratic regimes respectively. This interest centres on the causes that enable autocratic regimes to stabilize their often illegitimately acquired power position and to eventually transform their reign into a more institutionalized form of governance.

But just as in the context of democratization, the debate on autocratization or autocratic stability has so far primarily looked on internal factors such as the different types of autocratic systems (Geddes 1999a), the development of autocratic institutions (Gandhi and Przeworski 2006, 2007; Magaloni 2008), the interplay of democratic and autocratic elements in so-called competitive autocracies (Levitsky and Way 2002), or the mechanisms of power transfer from one to the next gener-

ation (Brownlee 2007). While the role of external factors in democratization and democratic consolidation is reflected in discussions about democratic diffusion or in the debate on democracy promotion, they have by and large been underrepresented in the study of autocratic survival.

Departing from another starting point, the debate on the nexus of economic resources, economic development and political regime type has increasingly touched upon the question of regime durability. This debate was revived by Przeworski and Limongi (1997) and has shifted its focus towards the effects of external sources of income such as foreign aid or income from oil sales on regime type and regime survival (Ross 2001; Knack 2004; Smith 2004; Ulfelder 2007). Most recently, Morrison (2009) argued that it does not matter how non-tax income is generated, but in which type of regime it appears. In general, non-tax revenue stabilizes both democracies and autocracies. Interestingly, the empirical investigations within this debate have taken on an overtly Western perspective by mostly focusing on the effect of Western development aid or Western strategic interests on autocratic longevity.

Given the rise of powerful autocracies, more specifically China, the underrepresentation of China as an external factor in the studies of autocratization is striking. Although the question whether China is a cause of autocratization has been raised in the field of area studies, it has thus far not been studied systematically either.

Even though China's rise has received much attention and a growing number of studies try to assess the effects of China on other countries (Kurlantzick 2007) there is no clear picture of China's impact on the political regimes in other countries to date. Of course, it is evident that China's increased external engagement from the late 1990s onwards is a relative recent phenomenon. In addition, while often widely visible and sensible, China's engagement in many countries remains diffuse and the extent of China's presence in other countries with respect to many aspects is opaque and intransparent. Data on China's external engagement are generally difficult to access or not available at all. There are, for example, no published disaggregated statistics of Chinese development assistance² or of Chinese financial flows to other governments and Chinese companies or state actors

²Data on China's development aid to other countries are considered to be a state secret (Brautigam 2009).

abroad are known to be hesitant in communicating to the public. China's domestic structure with party dominance over state structures and a complex interdependence between party, state, economic, and state-controlled economic actors makes an analysis even more troublesome. The constellation and interdependence of players in China's foreign policy and their hidden hierarchy remains often unclear - not only to the outside observer.

For all these reasons, the 'first generation' of studies examining the impact of China's rise in and on other countries have predominantly been occupied in illuminating China's objectives, strategies and instruments (Davies et al. 2008; Alden 2007), mapping the various actors involved in Chinese foreign policy (Reilly and Na 2007), or reconstructing the amount of Chinese assistance, foreign direct investment and financial flows to a given country (Brautigam 2008, 2009; Frost 2004).

Besides their explorative value, these approaches mostly nevertheless tend to be non-comparative and remain relatively unconnected to any of the above debates. They provide valuable insights on what China is doing elsewhere in the world, how it does it, and who exactly is involved on the Chinese part, but only few research have attempted to systematically assess the effects of China's rise in the world (Berthélemy 2009; Dreher and Fuchs 2011).

Against this gap in research, my thesis adds to the current debate on autocratic survival in several ways. Firstly, with its reference to political economy and the selectorate theory in particular, this thesis develops a new theoretical perspective on the potential causes of the persistence of autocratic regimes by connecting the growing interest in the survival of autocracies with external factors of political stability. Empirically, one can distinguish between autocratic support, that is those actions that not necessarily intentionally increase the stability of a prevalent autocratic regime, and intentional autocracy promotion, which is the intentional attempt to induce or strengthen autocratic structures where they are absent or weak. The focus of this study clearly is on the former.

Second, this thesis focuses on externally generated revenues and autocratic support, thereby empirically examining the particular role of China as an external factor in the survival of other autocracies in a quantitative and qualitative manner.

Thirdly, by doing so, I carry out a theoretically guided investigation of some forms of China's external cooperation and shed light on the recent Chinese engagement in the developing world.

In my theoretical reasoning, I identify the different distributional patterns that can be observed in autocratic and democratic regimes as an incentive for major powers to cultivate autocracies elsewhere. The main argument is that the highly discretionary redistribution of resources in autocratic systems makes these systems prone to exploitation from outside. Accordingly, it should be easier for external players - whether autocracies or democracies - to realize their external interests in autocratic countries than vis-à-vis democratic governments. The possibility to exploit autocratic regimes gives a formidable reason why China is expected to prefer autocracies over democracies to cooperate with. It has been argued that international cooperation in turn affects the distribution of power in a country and impacts on the survival of specific leaders, especially in autocracies (Smith 2009).

I test whether this argumentation empirically holds in a twofold manner. On the one hand, I quantitatively examine what determines China's recent international economic cooperation projects and whether these are specifically targeted at autocrats. Moreover, I assess whether different forms of cooperation between China and other autocratic countries increases autocratic survival.

On the other hand, by the means of three comparative case studies, I investigate whether Chinese decision makers find it indeed easier to realize their interests in autocratic than in democratic countries. If this core assumption of the theoretical argument does not hold, there is no reason to assume that China prefers to cooperate with autocracies in its external relations, and thus, no reason to assume that China's international cooperation aims at improving the prospects of survival for autocratic leaders. To this end, I compare three countries in China's regional neighborhood with respect to their compliance with Chinese interests. These three countries are Burma, Cambodia, and Mongolia. I selected these countries, because they capture the spectrum between outright autocracy and democracy.

My quantitative analysis suggests that autocratic countries and countries with high oil reserves have indeed received more economic cooperation from China in recent years. Also, the Chinese government rewards governments with economic cooperation that are compliant with Chinese interests, most notably the 'one China'

policy. When investigating the impact of cooperation with China on autocratic survival, I find that cooperation can help autocratic leaders to remain in power. According to my analysis, bilateral trade with China has a stabilizing effect on the reign of autocrats. However, I did not find empirical evidence that economic cooperation from China prolongs the persistence of autocrats in power.

As to the comparative case study analysis, I find that the Chinese government is very successful in realizing its interests in the more autocratic small coalition countries Burma and Cambodia while it faces more difficulties to pursue its objectives in the more democratic or large-coalition country Mongolia. My investigation also finds empirical evidence that the Chinese government adapts to the distribution patterns in small and large coalition systems in order to increase the responsiveness to its interests.

The remainder of this thesis is divided in ten parts: In chapter 2 the thesis starts off with a literature review in which I present two debates: i) the current debates in the study of democracy and autocracy, whereby I focus on the external factors of regime type and regime stability, and ii) the literature on China's external relations and the discussion of China's impact on political regimes and governance in the developing world.

Chapter 3 provides a theoretical reasoning on why major powers are generally interested in system convergence, and why especially autocracies seek to nourish other autocrats elsewhere. The main argument is that it is beneficial to major powers if other countries share a similar regime type, and autocracies are particularly easy to be exploited from outside. This political economy argumentation is broadly based on the selectorate theory (Buono de Mesquita et al. 2003). At the end of chapter 3, six hypotheses are derived from this theoretical framework. These hypotheses describe under which circumstances I expect to observe increased cooperation between autocracies and when this cooperation should lead to autocratic survival.

The thesis then proceeds by testing the main empirical implication of my argument in the chapters 4 to 9. Chapter 4 and 5 deliver a quantitative test of the hypotheses. The chapters 6 to 10 examine another empirical implication, being that small-coalition governments can easier be exploited from outside. By the means of three comparative cases studies, I examine whether and how China has

realized its interests in countries with differing degrees of democratization. This investigation begins with a description of the case study design in chapter 6, in which the case selection of Burma, Cambodia and Mongolia is explained. This chapter also introduces three key interests of China. These key interests refer to China's 'one China' policy, to its objective to gain access to natural resources and to geo-political considerations with respect to strategic interests.

It is the resilience to these Chinese key interests which is discussed one by one in each of the following case studies (chapters 7 to 9). Each of the case studies consists of five parts: i) It begins with a brief historical introduction of the country. ii) It presents the current domestic political situation from the perspective of the selectorate theory as the independent variable. iii) The third section bridges the independent and the dependent variables. In this section, the links between Chinese actors and their counterparts in the case study countries are illuminated. iv) The actual examination of a country's compliance with China's interests is presented in section four which again consists of three subsections, one for each Chinese interest. v) Each case study concludes with a summary of findings. Chapter 10 synthesizes and discusses the findings of the three cases.

Finally, the study closes with a summary of the analysis and some reflections on their theoretical and empirical implications in chapter 11.

2. Literature review

This chapter links my research project to the recent scientific debate. It provides an overview of the existing literature relevant for this study and highlights the prevalent research gap. This chapter is divided in two parts: In the first part, it focuses on the dependent variable, autocratic durability and in the second part it sheds some light on the independent variable, China's impact.

Throughout this study, autocracy is understood as the opposite of democracy while democracy is conceptualized according to a minimalist procedural definition derived from Schumpeter (1942) and Dahl (1971). A more detailed discussion of this definition will follow in section 4.1. For now, it is important to note that according to this approach, a regime that fulfils both criteria of i) free and competitive legislative elections and ii) competition in the executive is considered to be democratic. Regimes that fail to fulfill one or both of these requirements are considered to be non-democratic and thus fall in the category of autocracy. In contrast to substantive concepts of democracy in which the existence of institutions are viewed as necessary but not a sufficient characteristics of democracy, the above definition relies exclusively on the existence of certain institutions, without considering the outcomes generated such as civil liberties, political rights or economic development (Cheibub et al. 2010).

Given this dichotomous perspective, section 2.1 of the following literature review will cover the literature on the determinants of democracy and of autocracy respectively. It is thereby looking particularly on Asia. More specifically, this part has a focus on the external factors of regime type and regime survival.

In section 2.2, the second part of the literature review looks at the independent variable, Chinese influence. In this section, I will present the Chinese perspective on its foreign affairs. Then, I will discuss the literature that investigates the impact of China's rise in the developing world.

2.1. The study of regime type and regime durability

2.1.1. The study of autocracy: From totalitarianism to competitive authoritarianism

‘For over a quarter of a century the dominant conceptual framework among analysts interested in classifying the different political systems in the world has been the tripartite distinction between democratic, authoritarian, and totalitarian regimes’ (Linz and Stepan 1996, 38).

This literature overview follows this distinction in reversed order. The interest in totalitarian political systems dates back to the 1950s, when Europe’s fascist and Stalinist totalitarian regimes were scientifically examined (Arendt 1951; Friedrich and Brzezinski 1956). The derived descriptive theories or concepts of totalitarianism that emphasized the role of ideology and mass movements were for years the leading approach to the study of non-democratic regimes (Brooker 2009).

However, these totalitarian regimes were an exceptional phenomenon. Based on Linz’ (Linz 2000) distinction between totalitarian, traditional and modern autocratic regimes, the research interest soon shifted towards the latter and a body of political sociology literature evolved that focused on patterns of behavior in autocracies and on the base of these patterns generated typologies (Haber 2006). In Linz’ concepts, a special focus lied on the military. O’Donnell further developed the notion of bureaucratic authoritarianism which focused on the role of large public and private business corporations, bureaucracies, technocrats, and state organizations in controlling the society (O’Donnell 1973).

Other approaches to analyse autocratic systems produced less comprehensive concepts, but focused more on specific types of autocratic regimes such as single or one-party regimes, military regimes, or personalist regimes (Tucker 1961; Weber 1964; Huntington 1967; Perlmutter 1977; Finer 1988).¹ While these attempts highlighted the high degree of variance in forms of autocratic governance, their limitation is that ‘many of them are neither exclusive nor exhaustive, some are

¹Brooker (2009) provides an excellent overview.

based on ad hoc criteria; and at least one of them bureaucratic authoritarianism contains a regime ‘type’ that appears to include only one case’ (Haber 2006, 694).

In general, the scientific understanding of the political economy of authoritarian governments is much weaker than that of democracies even though the vast majority of states have been autocratic (Haber 2006). This is partly because driven by a wave of democratizations in Latin America, Southern Europe, Southeast Asia and Central and Eastern Europe the research interest on political regimes strongly shifted to studying democracies during the following decades. While an extensive international debate evolved among political scientists on the causes of democracy and democratization, the studies of autocratic regimes, for a long time, was somewhat marginalized into the field of area studies, where a number of detailed studies on autocracies resulted for example in Latin-America, the former Soviet-Union, and the Arab world (amongst others Entelis 1976; Vandewalle 1998; Magaloni 2006). In the Asian region, these studies were related to concepts of the autocratic developmental state (Wade 1990). It was a path-breaking contribution by Geddes (1999b) that brought the study of autocratic regimes back into the focus of political scientists. In the wake of the emergence of various hybrid regimes in which initial democratization did not lead to democracy, Geddes (1999b) formulated the need to better understand how authoritarian systems function. Geddes thereby revitalized political scientists’ interest in autocratic regimes. In the tradition of democratization literature, this research agenda was still inspired by the debate on the link between the mode and the outcome of regime transition and the main argument was that different characteristics of autocratic regimes would lead to systematically different transition paths (Geddes 1999b; Levitsky and Way 2002; Hadenius 2007; Teorell 2010, chapter 8).

Around the same point in time, a new strand in literature concerned with qualitative patterns of democracy emerged from within the democratization debate (Collier and Levitsky 1997; Merkel et al. 2003; Croissant 2004; Morlino 2004; Schneider and Schmitter 2004; Merkel et al. 2006). This new research body was encouraged by the rise of ‘defective’ (Merkel et al. 2003) or ‘illiberal’ democracies (Zakaria 1997) and many semi-authoritarian systems adopting electoral procedures. Scholars soon argued for a new perspective which should consider these ‘hybrid regimes’ not as imperfect versions of liberal democracies, but as possible

political regimes in their own right' (Jayasuriya and Rodan 2007, 773). Research on democracy has subsequently converged with the recent research interest in autocratic regimes. As a result, concepts such as 'competitive' (Levitsky and Way 2002) or 'electoral authoritarianism' (Schedler 2006) evolved, describing 'regimes in which formal democratic institutions exist and are widely viewed as the primary means of gaining power, but in which incumbents' abuse of the state places them at a significant advantage vis-à-vis their opponents' (Levitsky and Way 2010, 5).

With this renewed interest in autocracies, soon a new literature strand with a more economic background evolved. As a common starting point, these studies assume a 'dilemma of the dictator': Because dictators rely on the use of repression to stay in power, all authoritarian leaders face inherent insecurity about who supports them and who does only profess loyalty (Tullock 1987; Wintrobe 1990, 2000; Haber 2006). The examination of how autocrats try to overcome this dilemma has moved the discussion more to the phenomenon of autocratic rule as such, transitions from one type of autocracy to another and the strategies in and causes of autocratic survival.

According to a fundamental contribution by Wintrobe (1990, 2000), dictators are assumed to complement repression with loyalty in order to stay in power. Loyalty involves the creation and distribution of political rents with which the dictator can bind parts of the population to him.

'To the extent that governments provide wanted services to their citizens, it is useful to look at political life - even in dictatorships - as a market in which political exchanges are consummated. [...] The literature on regulation and interest groups, for example, describes one kind of political exchange. In that literature politicians supply interest groups with policies that amount to some form of favorable regulation - a subsidy, tariff, control over entry, favorable tax treatment, or the like - in exchange for political support' (Wintrobe 1990, 852).

Against this background, the question how the autocrat can make credible commitments vis-à-vis subgroups of the population becomes crucial. Therefore the literature on loyalty in autocratic regimes tends to examine the institutionalization of autocracies. Scholars are scrutinizing the strategies to institutionalize suc-

cession, participation, and cooperation deemed to be indispensable for interaction between the rulers, elites, and the population (Slater 2003; Nathan 2003; Gandhi and Przeworski 2006; Brownlee 2007; Magaloni 2008).

Given the considerable increase in dominant-party regimes after the post-Cold War period, the role of political parties within autocratic regimes, especially in one-party regimes, has received particular attention, specifically by ‘cooptation theorists’ (Smith 2005; Schedler 2006; Gandhi and Przeworski 2007; Svolik 2011b). Parties in autocracies are believed to be an important instrument for multiple purposes: i) tying individual incentives of the elites to the survival of the ruling regime, ii) mobilizing mass support, and iii) enhancing economic development by enabling the ruler to make credible promises not to expropriate investors (Gehlbach and Keefer 2007; Wright 2008).² While empirical evidence generally supports the role of parties to explain autocratic stability and economic growth, the debate has now become more nuanced and explores the impact of single-parties versus dominant parties (Svolik 2011b).

Both strategies of a dictator to stay in power, repression and loyalty, are considered to be costly and interdependent: political loyalty might be affected by the degree of repression and vice versa (Wintrobe 1990). As resources over which an autocrat can dispose are restricted, a trade-off is assumed between coercion and loyalty which has created a lively debate on the impact of income and autocratic longevity (Desai et al. 2009; Escriba-Folch 2009).³ Specifically important for this study is the debate on externally generated revenues and the rentier state, because it connects to the later discussion of the external factors of regime type and regime stability.

Derived from Middle East area studies, natural resource wealth and more specifically oil and mineral deposits, were suspected to inhibit democratization and to contribute to the longevity of autocratic rule. In general, three complimentary mechanisms why resource wealth, associated with externally obtained revenues should increase authoritarian longevity were assumed: ‘a ‘rentier effect’, which suggests that resource-rich governments use low tax rates and patronage to re-

²For an excellent overview see Magaloni and Kricheli (2010).

³This debate, for example, examines how autocratic regimes react to budget constraints (Wintrobe 1990).

lieve pressures for greater accountability; a ‘repression effect’, which argues that resource wealth retards democratization by enabling governments to boost their funding for internal security; and a ‘modernization effect’, which holds that growth based on the export of oil and minerals fails to bring about the social and cultural changes that tend to produce democratic government’ (Ross 2001, 327f).

Large-N studies examining the rentier state effect in several ways deliver a more detailed picture, which is, however, not free of contradictions. First, it was found that oil and mineral resources correlated with low democratization not only in the Middle East and in strongly oil dependent states, but even more so in poor, weakly oil-dependent countries all over the world (Ross 2001). Second, this first finding is supported by Smith (2004) who showed that oil revenues increase regime durability and stability in democratic and non-democratic developing countries, that is, oil revenues in these countries are connected with longer regime survival and fewer domestic protests and civil wars. Thirdly, only looking at existing autocracies, oil, mineral, and gas wealth was found to reduce the probability for existing dictatorships to democratize (Ulfelder 2007).

Finally, in a contribution that did not only broaden the focus in examining the effects of resource wealth and regime stability, but also linked it to the debate on the impact and the effectiveness of foreign aid, Morrison (2009) showed that it is not oil or mineral revenues that have an antidemocratic property, but that nontax revenues more generally exert a stabilizing effect on a given political regime be it autocratic or democratic. He identifies two different mechanisms for this effect in autocracies and democracies: i) In democracies, nontax revenue leads to less taxation of richer elites, and ii) in dictatorships, nontax revenue leads to increased spending on poorer citizens, both easing pressure from potentially regime-threatening subgroups of society. This reasoning seems to explain why earlier research on the rentier effect was unable to prove the repression mechanism, through which oil rents were assumed to work.⁴ However, there are also empirical indications that the dictator’s time horizon plays a crucial role and strongly impacts on how external revenues are used, because it has been found that foreign aid is significantly more effective in generating growth in autocracies when the

⁴Ross (2001) did not find a robust relation between oil revenues and military personnel.

government has a long-term perspective (Wright 2008).⁵

2.1.2. The study of democracy

The classical debate on democratization⁶ has produced roughly three strands of explanation: A structuralist, a culturalist approach, and a perspective that focuses on agents and institutions. Although the democratization waves included some Asian countries, the mainstream political scientist debate on democratization has tended to bypass large parts of Asia (Case 1996; Wagner 1999; Adeney 2004; Chang and Chu 2006; Slater 2006). Asia therefore provides a formidable opportunity to expose the theoretical explanations derived elsewhere to a critical test. Therefore, especially during the last two decades, a more specific research interest in Asian democratization has evolved.⁷ Interestingly however, the debate on democracy in Asia tends to be fragmented, especially between specific sub-regions.

The structuralist approach which embedded modernization theory established a causal relationship between economic (industrialization and wealth) and socio-economic (education) development and the political system (Lipset 1960; Moore 1960; Inglehart and Welzel 2009). Modernization theory has been empirically criticized, for example by Przeworski and Limongi (Przeworski and Limongi 1997) or by Acemoglu et al. (2008) who found that although development does not necessarily lead to democracy, development is helpful in sustaining established democracies. Although showing a strong correlation, the nexus between income and democracy remains controversial (Diamond 1992; Boix and Stokes 2003; Acemoglu and Robinson 2006) - especially with respect to Asia with its various contradicting empirical evidence (Anek 1997; Lee 2002; Lee and Shin 2003; Knutsen 2010; Croissant and

⁵Smith (2004) could not find an indication that oil bust periods increase the likelihood of regime collapse either. He therefore questions whether the stabilizing effect of windfall revenues is correctly attributed to patronage and coercion and suggests that such revenues are also invested in 'building state institutions and political organizations that could carry them through hard times' (Smith 2004, 232).

⁶The study of democracy is structured along three waves of democratization (Huntington 1991). The first wave refers to the first century of democratization in North America and Western Europe following the 1820s; the second wave occurred after the Second World War in Western Europe and Japan; and the third wave starts in 1974 and describes a number of transitions in Latin America, Southern Europe, Southeast Asia and Central and Eastern Europe.

⁷See for example Dukalskis (2009).

Bünte 2011).

The second, more culturalist approach emphasizes the connection between democracy and culture arguing for a ‘civic culture’ (Lerner 1958; Almond and Verba 1963) or social capital (Putnam et al. 1993)⁸ as the base of a democratic system. Furthermore, scholars within this strand also connected religious culture with democracy, arguing that Protestantism was supportive to democracy whereas Catholicism, Islam, and Confucianism were hindering democratic development (Pye 1985; Fukuyama 1993; Huntington 1996). With respect to the latter, a particular East Asian debate about ‘East Asian values’ has evolved.

The idea of ‘East Asian values’ was originally promoted in the early 1990s in order to impair the universalism of human rights by the governments of economically highly successful states and ‘city-states’ respectively, of China, Singapore and Hong-Kong. It is reflected in a scientific discourse about the validity of those ‘Asian values’, namely Confucianism that are claimed to inhibit democracy (Pye 1985; Huntington 1996).⁹ While this was to some extent a merely normative debate - especially prior to the Asian financial crisis in 1997 - (Schmiegelov 1997; Kim 1997; Hood 1998; Root 2002; Thompson 2004), a number of recent quantitative analyses dismiss a substantial impact of such distinctive ‘Asian values’ on empirical grounds (Lee 2002; Croissant 2004; Lindner and Brächtiger 2005; Chang et al. 2007).¹⁰

These findings are further supported by recent opinion polls finding that ‘liberal-democratic culture is emerging in Japan, South Korea, and Taiwan - the very countries which, among all East Asian democracies, are the most thoroughly imbued with Confucian principles and ideals. Their Confucian legacy might not have been conducive to the acquisition of liberal-democratic values, but it appears to have done nothing to hinder the process either’ (Chang et al. 2007, 77).¹¹ Equally,

⁸Social capital refers to social norms and networks which increase people’s ability to cooperate (Putnam et al. 1993).

⁹Confucian cultural heritage favors group over individual interests, authority over liberty and duties over rights. The debate seems however not always strictly one-dimensionally concerned with the link between culture and democracy, but with the nexus of liberal values, democracy, and economic development in general (Dorn 1993).

¹⁰These authors both conclude that economic development and cultural background as well as colonial history did not impact systematically on democratization in Asia.

¹¹Kim (1997) makes a similar argument on theoretical grounds. However, according to Chang,

‘comparison of the findings [of opinion polls] from South Asia with the responses to this question from the rest of the world suggests that unless we see ‘no response’ as a sign of ambiguity, support for democracy in the region is not very different from what it is anywhere else’ (DeSouza et al. 2008, 86).¹² However, Shin and Cho (2011) identify a lack of democratic culture in Southeast Asia: Even though democracy is embraced as the most preferred regime by a large majority of people in Southeast Asian countries, large parts of the populations remain uninformed or misinformed about what makes a political order democratic. As a consequence, many citizens in Southeast Asia’s autocracies or hybrid regimes perceive their country as being democratic. This perception might partly be explained by the instrumental role of public schooling in Asia in ‘creating loyal and efficient citizens’ as found by Jones (1998, 151).

Finally, a third approach highlights the importance of agents and institutions (Rustow 1970; Dahl 1971; Sartori 1976; Lijphart 1984). Although this approach has early been pursued by a number of scholars of South Asia, who ‘pointed to the importance of political institutions created under British rule’, they linked their analysis of South Asia’s democratic experiences only weakly to the international debate over how democracies develop (Wagner 1999, 915). More recent Asia-focused literature referring to this strand is more explicitly connected to the international debate (Stockton 2001; Lee 2002; Croissant 2004; Reilly 2007).¹³

While the research interest during the first two waves of democratization was focusing on already established democracies, in the course of the third wave, this interest shifted more and more to the actual process of democratization. On the ground of Rustow’s phasing model - describing transition as a gradual process from liberalization over democratization to consolidation - a new school of

empirically these ‘liberal values have not yet taken hold in Mongolia, the Philippines, and Thailand-on the contrary, the political culture in each country [the only three other democracies in Asia] seems to have taken an authoritarian turn’ (Chang et al. 2007, 76).

¹²Chang and Chu (2006) also find that contextual factors such as the hierarchical Confucian social structure in Asia do not dilute the negative relationship between corruption and institutional trust.

¹³Stockton (2001), for example transfers an institutional approach from the Latin American context to Asia, but is unfortunately only examining South Korea and Taiwan. Reilly (2007) identifies a recent Asian trend from instable multiparty systems or authoritarian one-party systems to two party systems in which elements of representative electoral rules increasingly disappear (Reilly 2007).

thought developed: elite-centred transition theory (Rustow 1970; O'Donnell et al. 1986; Di Palma 1990; Przeworski 1991). This approach pointed towards the agreements or pacts made between elites designed to lead to a negotiated transition to democracy and analysed their desired or undesired outcomes.

Although the breakdown of the Soviet Union was a stimulus in the field of democracy research and boosted the emergence of a more comparative approach (Bunce 1998; Lee and Shin 2003),¹⁴ it also directed attention to a new research interest. While it in the first place turned attention towards the sequencing of reforms as numerous countries started to pursue post-communist economic and political transition simultaneously (Haggard and Kaufman 1997; Hellman 1998), in the late 1990s optimism about the third wave democratization vanished and left political scientists more sceptical about further steps towards democracy. Acknowledging that democratic consolidation does not necessarily result from the transition, and that transitions can have many possible outcomes and even may be reversible (Schmitter 1994) the new agenda shifted from 'transitology' to the question of consolidation. Later, as described in section 2.1.1, it further shifted its focus to the quality of democratic structures in not fully consolidated regimes and new forms of so-called hybrid regimes or anocracies. In this context, scholars coming from both the study of democracy and autocracy have intensified their interest in political institutions.

2.1.3. External factors of regime type and regime durability

From the theories discussed above, it follows that regime type is widely believed to be determined to a large extent by internal factors. There are, however, also external determinants of regime type. I now turn to these external determinants, and more specifically to the influence of external actors to the way a regime functions and persists.

The literature on specific regime promotion roughly comes in two generations

¹⁴Comparisons between the democratization in former Soviet republics and in Asia lead to the conclusion that both waves vary rather in their results than in the mode of transition (Guo 1998; Lee 2002; Lee and Shin 2003). Scholars find that Asian transitions in most cases did not dilute the existing concentration of power and led to relatively informal possibilities of participation and weak civil rights (Lee 2002; Croissant 2004, 2005; Jayasuriya and Rodan 2007)

before and after the Cold War. The first discussion is related to regime promotion during the Cold War. World system (Wallerstein 1974) and dependency theory (Cardoso and Faletto 1979) were theories that implicitly argued for the importance of external factors in shaping a state's regime. Both approaches perceive a division between more and less developed countries where the more developed 'core countries' exploit the dependent underdeveloped 'periphery'. 'In order to maintain this system of exploitation democratic rule in peripheral countries needs to be stifled, according to dependency theorists, since authoritarian leaders are supposedly more receptive to the interests of international economic centers' (Teorell 2010, 77f). As Teorell summarizes the empirical evidence for the dependency theory is mixed: Early studies did not find strong support, but in an era of increased globalization, trade and portfolio investment volumes were found to negatively affect democratization. At the first glance, Teorell's own research seems to be in support for the latter. In his investigation, where he contrasts the effect of trade volumes against other international factors of democratization (such as diffusion or regional organizations as discussed in the following) he finds that largely trade-dependent countries are less likely to democratize. However, when he investigates whether it matters whether a country's trade is dependent on democratic (the U.S., France, and the United Kingdom) or autocratic (China and Russia) 'core countries' he does not find any impact on the likelihood to democratize (Teorell 2010).

Grounded in the democratization discourse, the post-Cold War literature has looked on the external effects of regime type and regime stability predominantly from a democratic perspective. It has done so in a twofold sense and with only a few recent exceptions. First, it mainly investigated external factors as a cause of democratization. Only during the last five years or so, the question whether external factors are also a source of autocratization or autocratic persistence has been raised. Second, the examined external factors, such as the intervention of other powerful countries, diffusion effects, international organizations, or neighboring states, are almost exclusively democratic in nature. With the exception of a discussion concerning the effect of autocratic regional organizations, autocratic external factors are underrepresented.

Within this post-Cold War debate, Whitehead (1996) was among the pioneers to develop a conceptual framework to analyse external influences on democratization.

He differentiated between the categories of contingency and control (Whitehead 1996, 4) and these categories are reflected in the structure of the discussion that further evolved.

Whitehead's notion of contingency is reflected in diffusion theory. Diffusion theory recognizes that democratization has appeared not only in temporary, but also in spatial waves where countries face significant higher probabilities to undergo regime change following transitions in neighboring states. Diffusion theory argues that ideas, norms, policies and political structures spread spatially throughout the world (Simmons and Elkins 2004; Levitsky and Way 2005; Gleditsch and Ward 2006; Brinks and Coppedge 2006). While Gleditsch and Ward (2006) try to connect the elite based argument of domestic power struggle with the theory of diffusion and expect that democracies will support those actors in favor of transition towards democracy, they do not give a reason why this should be so. Levitsky and Way (2005) argued that linkage and leverage was the cause of democratic diffusion referring to the density of interactions with democracies and to the vulnerability of a government to external incentives provided by this interaction.¹⁵ Nevertheless, a recent empirical investigation of the democratic domino theory quantifying the effect of neighborhood found that only 11% of changes in democracy level of a country's neighbors are actually absorbed suggesting that diffusion effects are rather small (Leeson and Dean 2009).

Probably, the most illuminating approach to the puzzle of contingency is provided by studies examining the role of regional multilateral organizations in regime promotion. Again, pioneers in this approach were studies on democracy promotion - most prominently of the European Union's enlargement policies (Solingen 1996; Brabant 1998), but also of the Organization of American States and MERCOSUR (Pevehouse 2005). Relatively recently, however, within the contingency debate, a discussion of the role of multilateral organizations in protecting autocratic regimes has started. In the Asian context, in particular two regional organizations, the (*ASEAN*) and the Shanghai Cooperation Organization (*SCO*), have come under scientific scrutiny.¹⁶

¹⁵In their more recent book (Levitsky and Way 2010), the argumentation shifts somewhat from explaining democratization to explaining comparative authoritarianism and gains another dimension of organizational capacity of autocrats.

¹⁶It is noteworthy, however, that it would be misleading to transfer the 'European experience

Given the historical evolution of *ASEAN*, its normative underpinning are deeply illiberal and

‘ASEAN has pursued a policy of benign neglect towards democratic movements and in the process has strengthened authoritarianism. The central issue is ASEAN’s decision not to interfere in support of democratic forces that challenge an incumbent government. By not interfering, either rhetorically or institutionally, ASEAN has denied democratic groups moral support and political legitimacy. The impact of ASEAN therefore has been one of hindering democratic aspirations rather than of actively supporting authoritarian persistence’ (Kuhonta 2006, 340).

Some stress that *ASEAN*’s principle of non-interference is not as absolute as usually assumed, but has frequently been handled flexibly to secure the dominance of illiberal business elites (Jones 2010). Others see *ASEAN* in a more positive manner and observe a slow process of norm building with respect to human rights, democracy and good governance, arguing that there was considerable divergence in the notion of the endorsement of these values in the 2007 *ASEAN* charter among *ASEAN*’s governments (Cole and Jensen 2009).

ASEAN has served as a model for the much younger *SCO*. But it has been argued that the *SCO* has more actively been instrumented, because it ‘was overtly political in its goal of upholding the existing territorial and political order’ (Yahuda 2005, 352). Similar to *ASEAN*, when the normative framework in favor of the authoritarian regimes in place was established, conditionality did not play a role since these states were non-democratic before. However, Ambrosio (2008) identifies a process of socialization of Central Asia into an authoritarian ‘Shanghai Spirit’ which is driven by Russia and China and which is likely to hinder democratization in any of the member states in the future (Ambrosio 2008, 1341).

Whitehead’s notion of control refers to intended democracy promotion by major democratic powers. There is no theory of democracy promotion as such (Merkel

of pooling sovereignty with the aim of establishing an ever-closer political union through a process of rule-based integration’ and the subsequent erosion of national interdependence to *ASEAN* (Yahuda 2005, 349).

2010) which reflects the difficulty of the discipline as a whole to come to a consensus on basic concepts such as democracy or democratization. But as numerous democratic governments engaged in proliferating democracy in the world, a lively, debate about the instruments and the effectiveness of external democracy promotion has emerged (Carothers 1999). Studies exploring the effect of development aid in general and democracy promotion in particular usually follow one of the two lines of argumentation. i) Development aid is expected to have a positive impact on democratization because it encourages structural changes and supports distinct actors and institutions conducive to democracy (e.g. Finkel et al. (2007)). ii) In addition to the indirect impact development assistance can have in the long run through the structural improvement, democracy promotion can in the short run help to deliver democracy either through technical assistance or through conditionality (e.g. Knack (2004)).

However, in this debate, it has eventually been cautioned that externally financed transfers rather cultivate rentier-states, not only allowing political elites to evade political responsibility, but also artificially stabilizing their domestic power (Ross 2001; Morrison 2009). The resulting systematic analysis of the effectiveness of democracy promotion seems to support a rather sceptical view. Researchers, whether qualitatively or quantitatively, find it inherently difficult to substantiate the effectiveness of democracy promotion due to various analytical problems. Whereas numerous empirical studies dealing with the conditionality of development assistance and multilateral loans conclude that the conditionality of external funds due to insufficient sanctioning remain by and large inefficient (Collier and Gunning 1999; Dollar and Svensson 2000; Svensson 2003b; Knack 2004; Scott and Steele 2005), some authors have even discovered a counter-productive impact of external funding on good-governance and democratization (Knack 2001; Easterly 2002; Svensson 2003a; Leeson and Sobel 2008; Knack and Rahman 2007).

In brief, it has been found that the effect of aid on democratization depends on the initial constitutional context. Foreign aid only helps autocratic leaders to democratize when they are relying on a large distributional coalition (Wright 2009), when democracy is already emerging (Nielsen and Nielson 2010), or when they face the threat of being overthrown (Bueno de Mesquita and Smith 2009b). Most interestingly in this context, is the fact that the perceived ineffectiveness of

development aid and aid conditionality has usually been connected with conflicting goals of Western strategic objectives (Emmanuel 2010).¹⁷ A comparative analysis of democracy promotion in eight post conflict states comes to the conclusion that it is particularly donors' prevalent preference for stability over democratization which renders most democracy assistance not only ineffective but even counterproductive in the long run (De Zeeuw 2005).

This view is shared by those coming from the discussion on autocratic longevity (as introduced in section 2.1.1). For example, Bellin (2004) attributed the longevity of Middle Eastern and North African autocracies to strategic Western interests in the region. 'Multiple western security concerns in the region guarantee continuous international support to authoritarian regimes in the Middle East and North Africa even after the cold war. But the prevalence of patrimonialism in state structures and the low level of popular mobilization are not unique to the region. Together, these factors reinforce the coercive apparatus' capacity and prevent democratic reform' (Bellin 2004, 152). Similarly, Magaloni and Kricheli suspect Western donors and the international financial institutions behind the geopolitical trends that caused the observable spread of dominant-party autocracies in the post-Cold War period (Magaloni and Kricheli 2010). Levitsky and Way (2010) look only at the linkage to and leverage by Western countries when investigating the rise of electoral autocracies from 1990 onwards. Even though they admit that 'not all linkage is Western', they attribute failures in democratization and persisting autocratic structures respectively to low vulnerability and exposure to Western influence rather than to the influence of autocratic powers (Levitsky and Way 2010, 50).

It was within the democracy promotion debate, and not within the field of autocratic persistence that finally reflections came up on whether and how autocratic rule is protected and promoted by major autocratic countries (Carothers 2006; Gershman and Allen 2006; Burnell 2006; Diamond 2008; Burnell 2010). While

¹⁷Bueno de Mesquita and Downs (2006) go even further and reject the idea that democratic leaders should have any great interest in democracy promotion at all. Their claims are based on the quantitative finding that the likelihood that military interventions by democratic states lead to increased level of democratization in the target state is slim and military interventions by the United Nations (*UN*) do not improve the level of democracy in comparison to countries without such kind of intervention.

there is some descriptive research on Russia's support for authoritarian regimes in its regional environment (Ambrosio 2009; Jackson 2010), no convincing conceptualization of external autocracy promotion or the like exists. Burnell, for example differentiates between active, passive and an intermediate form of what he calls 'anti-assistance' or 'counter-promotion' by autocratic powers, but remains rather vague when conceptualising these concepts further (Burnell 2010).

To sum up the current state of research, the debate on the external factors of regime type and regime durability is very much guided by a Western perspective and by the presumption that mostly or sometimes even only democratic Western countries intentionally or unintentionally affect regime type and regime survival elsewhere. While authoritarian powers are assumed to have influenced the form and durability of political systems in the developing world during the Cold War (Bates 2001; Easterly et al. 2008), their influence on autocratic longevity today is less investigated. The research community occupied with exploring the determinants of autocratic longevity, by and large has not yet reflected on the rise of major authoritarian powers such as China or Russia. Furthermore, while the field of area studies offers some interesting investigations in Russia as an external patron for autocratic regimes (Ambrosio 2009; Jackson 2010), it will become clear in the following section that China's role as an emerging autocratic power is contested and that there is a need for more systematic comparative empirical investigation.

2.2. The Study of China's external relations

As relevant for this study as the research on specific regime types that has been presented in the previous sections, is the research on China's external relations in the recent era of China's rise. With its growing integration in the world economy during the last decade, and with its increasingly independent role in international relations, China has attracted the attention of all, IR scholars, economists, security experts, and Sinologists.

What can be drawn from this massive body of literature for this study? Several questions are particularly important here: Is there any analysis - from whatsoever background - on China's impact on the political regimes of others or autocratic stability elsewhere? Or, in other words, is it possible that the weak reflection on

new autocratic actors such as China which I identified in the field of autocracy studies is compensated by a research agenda in other research communities or scientific disciplines? And what do we know about the Chinese government's foreign policy agenda: Is there any discussion on how the Chinese government itself perceives its role in influencing political structures abroad? Because the above mentioned debates take on a variety of different perspectives, approaches and methodologies, and are therefore only loosely connected to each other, this section is structured along these latter two questions rather than along the individual disciplines, approaches or schools of thoughts.

Hence, the remainder of this section is structured in the following way: I start off with the Chinese perspective by briefly presenting China's relevant foreign policy concepts¹⁸ and their discussion in the scientific debate. The most heated debates with respect to China as a role model for development circle around the so called 'Beijing Consensus' and China's new soft power. Second, I turn to the literature looking on the impact of China's rise in the developing world. Here, I find two types of debates that are relevant: One debate is a development within the soft power debate. These works are often focused on the Asian continent and undertake a change in perspective to investigate the reaction of nations in China's proximity on the new security architecture in Asia. The other type of literature is very much empirically oriented and investigates the implementation of China's new engagement in foreign countries.

Now, let's turn to the Chinese perspective. The basic principles in China's foreign policy, the five principles of peaceful coexistence, date back to the 1955 Bandung Conference and are almost as old as the People's Republic of China (*PRC*) itself. But against the background of China's emergence as a regional and global power the call for strict adherence to the principles of non-interference and the sovereignty of other states is probably more valid today than ever to the Chinese government. In the past, these principles had first been a mere lip service and later with a sharp retreat to domestic politics became ineffectual, but the recent Chinese rise has stimulated increased security concerns especially in its neighbors which require reassurance of China's peaceful intentions. Despite the

¹⁸Please note that parts of this sections have been presented earlier in a conference paper at the 5th ECPR General Conference in Potsdam in 2009.

emphasis placed by Chinese leaders on the five principles of peaceful coexistence, China's foreign policy during the Cold War pursued revolutionary ambitions and was driven by the quest to establish a new world order (Umbach 2004, 341). It was driven also by ideological militancy, with support given to revolutionary insurgency in other Asian and African countries such as Thailand, Cambodia, the Philippines and Malaysia.

Under Deng Xiaoping this interventionist foreign policy approach was eventually abandoned. Deng Xiaoping retreated to an overtly inward-oriented policy. His 'new diplomacy' was primarily intended to normalize China's external relations. Focusing on the country's own development and modernization, Deng Xiaoping refocused Chinese external relations on the industrialized world in order to access foreign sources of the capital and technology needed by China, thus temporarily neglecting its overly close relations with many developing countries (Van Ness 1998; Davies et al. 2008). It was only when Western powers distanced themselves from China in the aftermath of the Tiananmen incident that China's regional neighborhood came increasingly into the focus of Chinese decision makers and gained importance. Ever since, China's foreign policy has been explicitly subordinated to the overall goal of internal modernization. Throughout the 1980s and 1990s, the overriding aim of China's foreign policy was to keep a low profile in foreign affairs and to opt for stable international relations and political stability in its region so as not to jeopardize internal reconstruction (Wang 2005a; Shirk 2007).

In terms of implementation of this policy, empirical evidence with reference to the Chinese reactions to political transitions elsewhere suggests that at least during the period of Deng Xiaoping, the proclaimed withdrawal to domestic politics effectively translated into a foreign policy approach which was agnostic with regard to the type of political regime in other countries. During the 1980s, the material support that had been provided to communist insurgency groups in several African and Asian countries was phased out (Roy 1998). Based on the analysis of Chinese media reports of political upheavals in Burma and the Philippines during the 1980s, Bert finds that the Chinese government in this period was in support for any government 'that would provide stability and be a reliable ally' (Bert 1990, 1082) but, would opportunistically shift in policies 'to avoid alienating the potential new power holders' in situations of likely power changes (Bert 1990, 1068).

Whether a political actor could rely on support from China, in this view, was basically depending on his likelihood to survive.

In 2003, the Chinese government officially adopted the concept of ‘peaceful rise’, which stressed the peaceful nature of China’s growing power. But soon the term was replaced with ‘peaceful development’ in order to underline the component of peace rather than rise. In an attempt to clarify the opaque Chinese foreign intentions, it sought ways of persuading the world of China’s peaceful ambitions (Gu 2005; Shirk 2007). The concept had evolved since the mid-1990s, when China published its first defence white paper. At its core it was also a commitment to draw more attention to China’s regional neighborhood and to specifically address its neighbors’ security concerns that had evolved during the first half of the 1990s when China had aggressively pursued its territorial claims in the South China Sea (Harris 2005; Osborne 2006; Li 2007). In order to make the nations in its regional environment less receptive for a U.S. containment strategy against a rising China, the Chinese government re-defined its diplomatic strategy. It became more proactive and open to regional multilateral organizations, invested increasingly in its public and state diplomacy and increased its attempts to develop soft power. For example, the Chinese government considerably professionalized its public diplomacy, it established regular high-level regional forums to engage with different world regions, and from 2004 onwards it founded more than 200 ‘Confucius Institutes’ all over the world to spread the Chinese language and culture (Lum et al. 2008). The latest Chinese foreign policy concept of ‘harmonious world’ was presented by Hu Jintao to the UN General Assembly in 2005 as a response to the Western promotion of democracy and human rights and to repeat the continued validity of the principle of peaceful coexistence in China’s foreign policy. It is derived from traditional Chinese philosophy and describes the coexistence of different civilizations and the consultations among all involved countries rather than unilateralism and hegemony (Suisheng 2010).

A major driver behind China’s soft power strategy was China’s integration into the world economy. During the 2000s, the Chinese government increased its economic activities in many developing countries around the globe. Driven by the quest to constantly maintain high growth rates in order to maintain China’s domestic stability and the rule of the Chinese Communist Party (*CCP*), the Chinese

government adopted the 'go out' policy. This policy had two objectives. On the one hand, it was designed to increase the competitiveness of the top Chinese state-owned enterprise (*SOE*) by going and investing abroad. On the other hand, it was designed to improve energy security for the Chinese economy. As a consequence of the many incentives provided by this policy, investment projects of China's *SOE* increased dramatically.

Despite these clear statements on the part of the Chinese government of having no ambitions to interfere in the domestic politics elsewhere, in the mid 2000s, a debate evolved among academics about a possible 'export' of China's development model to the developing world. Because the Chinese model is associated with a strong government, state-centered development, and an approach that favors economic development over democratization and individual freedoms, an implicit question in this debate is whether the spread of a Chinese model props-up authoritarian structures. The development of this debate can be traced back to two sources, being a popular essay coining the term 'Beijing Consensus' on the one hand, and China's increased engagement in terms of economic interaction and soft power with countries in the developing world on the other.

In his thought provoking essay 'The Beijing Consensus: Notes on the New Physics of Chinese Power', Cooper Ramo (2004), a Western consultant, proposed that China's extremely successful development experience would become a role model for development for other developing countries. He sketched this model as being in contradiction with the dominant paradigm endorsed in the 'Washington Consensus'. More precisely, his argument centered on three points: First, he argued that China's economic success was created by innovation-based development. Second, he found that balanced growth and equitable distribution was a central concern of the leadership. Thirdly, he proclaimed that the self-determination of China's development path would make it an attractive development model for other developing nations, but that China, on the other hand, also wanted to project its model abroad (Cooper Ramo 2004, 28).

With respect to Cooper Ramo's analysis of the Chinese success story, it appears that there is much disagreement among Chinese scholars. On empirical grounds, his analysis is considered incorrect and incoherent. Neither has innovation been the centerpiece of China's growth (Young 2000). Nor has it consistently been

connected to extraordinarily attempts to produce equality or has been pursued by the different state institutions according to any orchestrated economic master-plan (Dirlik 2006; Kennedy 2008; Huang 2011).

‘The large majority of Chinese commentary is critical of the BC [Beijing Consensus]. Some believe it is inaccurate or an exaggeration [...], while others believe it overlooks the most important elements of China’s economic reforms. [...] Many commentators write that the BC makes claim to a consensus that does not exist. [...] Still others stress that the BC understates the depth of problems that China’s economic strategy has produced and the depth of problems still to overcome. [...] And finally, a number of observers hold that China’s economic reform strategy has depended on elements of the WC, such as free prices, competition, limiting inflation, and accession to the WTO. Hence, those elements distinctive to China merely supplement rather than challenge the WC [Washington Consensus]’ (Kennedy 2008, 17).

Given the disagreement with its underlying analysis, there is also broad skepticism concerning the Chinese role as model for other developing countries. Chinese academics agree that China’s development model has produced a number of unsolved problems such as corruption and the poverty gap and consider it therefore to be less attractive for others (Suzuki 2009). They also question the ability to ‘sell’ such kind of a Chinese model to the outside world without a clear understanding what it actually depicts: authoritarian capitalism, socialism with Chinese characteristics, or an extension of the East Asian Developmental state (Kennedy 2008). Others point out that the term ‘consensus’ is misleading all together. They see the experimentation with and adaptation of alternative development strategies as the centerpiece of China’s development experience of which the insight that there is no one-size-fits-all strategy can be the only lesson learned. Even if a definition of the components of China’s development experience would be found, ‘the term inevitably indicates a competing framework to the Washington consensus which consists of outwards-oriented policy recommendations. A policy and a policy recommendation are two inherently different things, and cannot be described with the same term’ (Rebol 2010, 14).

While the Chinese government, in fact, has never adopted or incorporated the term 'Beijing Consensus' as opposed to the 'Washington Consensus' in any published foreign policy concept (Dirlik 2006), it has - as mentioned above - revised its foreign policy strategy with the aim of increasing its reputation and increasing its soft power. Against the background of this explicit Chinese soft power strategy which also seemed to be astonishingly successful at the first sight, the debate on the Beijing Consensus became blurred with an already existing discussion among observers on China's new soft power.¹⁹ Because of its focus on security issues, the bulk of 'traditional' literature on global power shifts that is connected to the soft power literature is not particularly helpful to my research.²⁰

However, under the new label of 'soft power' the old predominantly Western-led debate of the 'Beijing Consensus' continued. This discourse portrays China's soft power as opposed to Western values and the Western democratic development model (Gill and Huang 2006; Kurlantzick 2007; Lum et al. 2008; Halper 2010). It

¹⁹The term soft power was coined by Nye (2004).

²⁰There are a number of studies discussing the emergence of China in connection to the recent dynamics on the Asian continent, which have boosted trade and investment links between China and its neighbors, brought about novel implications for regional security structures, and new forms of interaction such as increasing regional multilateral engagement. This literature mostly focuses on the respective novelties in China's regional policy concepts, and the evolution of both Chinese hard and soft power (Bin 1999; Medeiros and Fravel 2003; Shambaugh 2004; Harris 2005; Kuik 2005; Shambaugh 2005; Glosny 2006; Osborne 2006; Li 2007). Two outstanding works are Osborne's 'The Paramount Power - China and the Countries of Southeast Asia' and Shambaugh's volume 'Power Shift - China and Asia's New Dynamics' (Shambaugh 2005; Osborne 2006) because of the detailed comparative analysis of China's relations to ten Southeast Asian neighbors and the comprehensive discussion of recent developments in Asia from various angles, respectively.

It has been criticized that this literature, though empirically rich 'tends to either be descriptive or focus on implications for the United States' (Li 2007). Indeed, linking empirical analysis to theoretical concepts has been neglected and the few scholars cautiously doing so find this task markedly difficult (Kang 2003; Shambaugh 2004; Foot 2005; Khoo and Smith 2005). Even more important for my research is that this literature is biased towards the Chinese perspective (as opposed to the U.S.) and discusses the impact of China's rise for China's neighbors predominantly from a security and economic perspective, if at all. In brief, the debate in this respect turns around the question with which security strategy Asia's governments respond to the emerging Chinese profile in the region: with bandwagoning, balancing, or hedging. "Bandwagoning" implies an 'all the way' approach to dealings with a single large power. 'Balancing' implies an effort to follow policies that prevent a state from being firmly linked to one large power rather than another' (Osborne 2006, 47). Content wise, many scholars agree that although insecurities about China's long-term intentions persist, most Asian nations seek strong relations with both China and the U.S. and favor not being forced to take side for any of the two players.

is acknowledged, that there is no expressed agenda of the Chinese government to exert influence on the political structures or on domestic policy choices in other countries. But the main point here is that the Chinese government delivered supply of an alternative model exactly at a point in time when - against the background of widespread disagreement with the U.S. intervention in Iraq and in the wake of the global financial crisis - a demand had arisen. 'China hasn't moved to impose its own market-authoritarian model on others - but has made others aware of its approach and doesn't object if others wish to replicate it or learn from its management expertise' (Halper 2010, 127). Not only is the Chinese development model appealing to leaders in authoritarian or hybrid regimes, but also Chinese culture and language increasingly gains popularity among the populations, particularly in Asia (Lampton 2005; Kurlantzick 2007).

But China's repeated commitment to the principle of non-interference and national sovereignty is not only naturally appealing to autocratic regimes. Some have argued that the Chinese government has become a de facto supporter for pariah states, because its investments, grants and loans to dictators remarkably increased with the 'go out' policy. Moreover the Chinese government has used its veto power in the *UN* Security Council to protect repressive regimes against international sanctions (Kleine-Ahlbrandt and Small 2008; Halper 2010). A main point made here is that the Chinese government provides trade, grants and aid with 'no strings' attached, that is without any of the conditions for 'good governance' or economic or political reforms which are usually requested by the international financial institutions or the Western donor community. By offering an exit option, the Chinese government enables dictators to simply leave negotiations with the West when the pressure for reforms become too strong.

These allegations have triggered a heated response. In defence for the peaceful intentions of the Chinese government, the Chinese steps towards becoming a 'responsible stakeholder' have been cited as a proof that the Chinese government is neither a patron for autocratic regimes nor does it attempt to spread its own political system (Suzuki 2009; Womack 2010). For example, the Chinese government has silently modified its non-interference policy to pressure non-democratic regimes behind the scenes as in the case of Burma, North Korea and has shown increased willingness to participate in *UN* peace-keeping missions. Still others point

to the hypocrisy of Western standards and argue counterfactually, that even if the Chinese government and China's state-corporation have embraced the most awkward authoritarian regimes in search for oil supply or markets for their military industry, so have Western financial institutions, energy companies and weapon producers (Brautigam 2009). The bottom line of this argument is that, against the strong strategic and economic interests of the major Western powers which have frequently pushed them to flirt with dictators and rogue states in the past, the recent Chinese engagement does not make any difference.

A different aspect was brought up by Kurlantzick's extensive empirical investigation of China's soft power strategy, tracing the Chinese goals, strategies and tools for building influence and subsequently assessing their success and impact in different targeted countries: the aspect of unintentional spill-over effects. With respect to China's impact on other nations, Kurlantzick's analysis which is largely based on anecdotal evidence from all parts of the world finds that 'China could essentially wind up exporting its own domestic weaknesses' (Kurlantzick 2007, 154).

Against the background of this debate, with China's more and more visible engagement in the developing world a new scientific interest has emerged which focuses on gaining a better understanding what Chinese actors are doing in the developing world and how China's engagement works. While the decision-making process in China's foreign policy remains difficult to access, there is a growing body of research on Chinese practices in the field of policy implementation. As research on China's involvement, especially in Africa and to a lesser extent in Asia or Latin-America, is largely driven by Western interests in these continents many studies in this field take on a less theoretically driven, but more empirically oriented approach. Most of these studies simply explore Chinese policies towards a set of developing countries (Reilly and Na 2007; Chan-Fishel and Lawson 2007; Alden 2007; Davies et al. 2008; Brautigam 2008, 2009). As a consequence, these studies are particularly enlightening in that they deliver most valuable insights on the actors, processes and structures of recent Chinese foreign policy implementation, especially in the context of China's foreign development assistance.

Furthermore, a few quantitative studies tried to find out what determines Chinese engagement, but these attempts are rare. For example, Berthélemy (2009)

investigates what determines Chinese economic cooperation, even though his focus is restricted to the African continent. Another important contribution which looks at the number of completed Chinese aid projects, food aid, and the number of medical teams dispatched, finds that fears that Chinese aid undermines democracy and good governance are unwarranted (Dreher and Fuchs 2011).

To conclude, what can be taken from this existing research for this study? First of all, it is a noteworthy fact that the Chinese government is keen to stress national sovereignty and self-determination, and that it is to be seen as a partner and not as an interventionist power.

Moreover, it becomes apparent that despite the Chinese official rhetoric, the debate about the true nature of Chinese engagement with developing countries and with autocratic ones in particular is heated. It sometimes developed into a contest over the interpretation of the Chinese intentions with a split between those viewing China's rise as a threat, those who acknowledge that China has gained influence, but don't perceive it as a long-term challenge to the West, and those negating a strategic Chinese intention or campaign to propagate a Chinese model and downplaying the Chinese impact. Since the debate is highly political, it is as much a discussion about beliefs, convictions and speculation as about scientific findings and research.

To complicate the matter, there is still much opacity around what China is doing, how different Chinese actors operate and who they are. In so far, much of the existing literature is a 'first generation' literature that - very much on the base of case-studies and by putting together piece by piece - tries to assemble a more comprehensive picture of what is going on. Only a few quantitative studies exploring the determinants of China's engagement exist. Against this background, this systematic global quantitative assessment of China's impact on autocratic stability helps to increase our empirical understanding of whether or not China's rise is a cause of autocratic longevity.

3. Theory

In this chapter I elaborate a theoretical argumentation explaining why autocratic powers have an interest in being surrounded by states with similar political regimes and how this preference for autocratic regimes in the neighborhood translates into autocratic survival. As has become clear in the previous literature review, there is currently no comprehensive framework on the role of external players in promoting or supporting a specific regime type in other countries. Most studies on external regime type promotion so far are empirically driven and focus on democratic players and their impact in promoting democracy abroad. Only few studies consider whether autocratic powers too could have an interest in promoting or preserving their own type of political regime elsewhere in the world.

In the following, I deliver a number of reasons, why we should expect autocracies to be interested in the prevalence of other autocratic regimes in the world.¹ By connecting my arguments with a number of existent theoretical approaches on i) the logic of domestic politics, ii) the interplay between domestic politics and foreign policy, and iii) regime type and international cooperation as well as international cooperation and political survival, I present an integrated framework why and how the major power preference for autocratic persistence may lead to autocratic longevity.

3.1. The domestic logic of political survival

In this section, I present some basic considerations on the principles of power and politics which are widely acknowledged in literature and which are important for

¹The basic considerations of this argument have been developed in the context of a research project carried out at the German Development Institute (DIE) in Bonn and have been published in a co-authored paper (Bader et al. 2010).

my argument as they define the incentive structures for political actors. Proponents of a political economy approach believe that political actors play a crucial role in determining political outcomes (Olson 1965, 1982; Gilpin 1996; Milner 1999; Bueno de Mesquita et al. 2003; Lake 2006). Most fundamentally, they assume political actors to be rational² and to be office-seekers. Political actors seek to attain power, and once reached there, to remain in office (Downs 1957; Wintrobe 2000; Lake and Baum 2001; Bueno de Mesquita et al. 2003).

Furthermore, it is assumed that in their struggle to achieve and preserve power, political actors are reliant on the loyalty of the population - or more precisely of specific societal groups - to accept and support the government in office. A political leader can create loyalty by distributing resources among a targeted constituency and so bind the welfare of this constituency to the survival of his regime. Therefore, in the view of political economy theory, the political process is understood as a political game in which the government offers concessions or privileging policies in exchange for political support (Wintrobe 1990; Bueno de Mesquita et al. 2003).

At the same time, a leader can use repressive means to coerce opponents and repress critical segments in society (Wintrobe 2000; Bueno de Mesquita et al. 2003), so ‘the use of violence by governments is a strategic choice’ (Vreeland 2008, 73).³ Repression is a strategy that is carefully weighed against other strategies to respond to challenges to the ruling coalition. Which of these strategies is chosen depends on their expected utilities (Gurr 1986; Gartner and Regan 1996; Moore 2000).⁴ But because the motivation for the individual to protest against a political order or to carry out oppression against others is set by distributive policies, I consider repression to be a function of distribution.

The existing literature has focused on different societal actors as the main threat to political leadership. In contrast to Wintrobe (2000), who assumed the whole

²Actors, in this sense, are not necessarily individuals, but rather collective actors consisting of groups of individuals. The political collective actors referred to in the following are defined by their function as government or opposition or, in cases where there is no government, groups competing for the power to form the government. If the net-benefit or the utility of an action is known or can be assumed, rational choice models offer a micro-foundation to explain and even predict political events.

³For a comprehensive overview on this literature see Davenport (2007).

⁴There is, however, dissent in literature about when and under which circumstances repression actually is the most attractive strategy (Gartner and Regan 1996; Moore 2000).

population to potentially challenge the leaders in power, Bueno de Mesquita et al. (2003) differentiated between two societal subgroups, the selectorate and the winning coalition which they considered to be most important. According to Bueno de Mesquita et al. (2003) the selectorate is the subset of all residents ‘that has a formal role in expressing a preference over the selection of the leadership that rules them, though their expression of preference may or may not directly influence the outcome’ (Bueno de Mesquita et al. 2003, 38). The subgroup that is critical to keep a government in power - whether they are educational, economic or military elites, bureaucratic actors or a combination of these - is referred to as the ‘winning coalition’ (Olson 1965; Bueno de Mesquita et al. 2003). As a consequence of this distinction, a government is specifically inclined to offer preferential policies to the collective actors of its winning coalition. I follow Bueno de Mesquita et al. (2003) in the assumption that elites are particularly important for a regime to survive.

Hence, the political economy perspective sees governments as rational political actors who pursue their overriding interest of preserving their power by distributing resources to specific constituencies and if necessary also to a repression machine. As the groups of importance to the survival of the governments differ in democracies and autocracies, the domestic incentive systems for democratic and autocratic governments are different.

Both, scholars of regime theory and proponents of political economy have pointed towards structural differences in the mechanisms according to which political actors in democracies and autocracies come to and stay in power (Olson 1993; Lake and Baum 2001; Bueno de Mesquita and Root 2002; Faust 2007a). Whereas in democracies, through the mechanism of regular elections, leaders repeatedly must compete to win the majority’s favor, autocratic elites come to power on the base of support of narrow elite circles. These differing mechanisms to acquire power have far reaching consequences.

First, in democracies, political actors are more inclined to respond to the demands of wider parts of the population while leaders in autocracies can afford to be responsive to only a small subset of the society. This structural characteristic is reflected in the size of the winning coalition. This coalition tends to be relatively large in democracies and small in autocracies (Olson 1982). If support is generated by privileging the respective winning coalition, then the bigger the winning

coalition gets, the more expensive it becomes to pay-off every single member of the winning coalition. Thus, the bigger the winning coalition gets, the less effective provision of private goods becomes to generate support. Eventually it becomes more efficient to provide public goods and thereby making the whole population better off. For this reason, democratic governments tend to rely stronger on the provision of public goods, whereas autocratic governments focus more on the privileging of a small and exclusive group by providing their coalition members with private goods in order to generate support. This view is supported by the empirical fact that democracies produce more public goods and tend to be more resilient to the interests of the population as a whole (Lake and Baum 2001; Bueno de Mesquita et al. 2003; Acemoglu and Robinson 2006; Faust 2007a; Blaydes and Kayser 2011).⁵

Second, not only does the large size of the winning coalition in democracies require efficiency, it also calls for accountability towards the electorate for effectiveness in the allocation of resources. The request for transparency in the government's actions minimizes the discretionary power to allocate benefits of the democratic leaders. Lacking a mechanism of regular evaluation, autocratic governments, in contrast, are not accountable towards the population which, in combination with restricted information flows through the repression of free media, generally offers autocratic governments in general a much larger discretionary leeway for the allocation of resources. For example, empirical evidence shows that democratic governments are more willing to report and publish sensitive data such as unemployment rates or inflation (Rosendorff and Vreeland 2006). Moreover, it appears that the adoption and spread of new communication technologies such as the internet is often delayed in autocracies. This is not because of lower socio-economic development, but because of the fears of ruling elites that a better informed population will cause instability (Milner 2006). In consequence, autocratic governments are more self-determined in allocating their budgets than democratic

⁵Paying-off coalition members with private rents, however, inheres the problem of how to inhibit these to use the accumulated wealth to overthrow the dictator, pointed out by numerous works on autocratic systems. Literature on the 'dictator's dilemma' is diverse and various solutions have been proposed, ranging from institutionalization (Gandhi and Przeworski 2007) introducing multi-party elections as symbolic contract between the dictator and the coalition partner (Magaloni 2008), a strategy of terror, of co-optation or of organizational proliferation (Haber 2006).

leaders. This mechanism has been cited as the reason why many autocratic leaders succeed in accumulating substantial personal wealth and why corruption in autocratic countries tends to be more widespread than in democratic countries (Bueno de Mesquita et al. 2003).

Third, the process of regular elections in democracies is not only an incentive for the incumbent government to convince with good performance, but also a chance for the opposition to regain power. In non- or weakly-institutionalized autocracies where a clear mechanism for the alternation of governments is missing, losing office is connected to insecurity about future possibilities to regain power. Because political power most often involves material advantages, it is generally also economically costly to the incumbent government.⁶ Therefore, losing power implicates much more dramatic consequences for autocratic governments, especially if it would additionally expose purged leaders to be held responsible for the economic, political, or societal crimes which the unrestricted monopoly of power allows them to commit (Tullock 1987).

Consequently, in fear of an uncertain and most likely unpleasant future, autocratic leaders face much stronger incentives and much less restrictions in making use of every means, including repressive ones, to cling to power. This finding is supported by the ‘Law of Coercive Responsiveness’ which states that state authorities generally employ repression when challenges to the status quo take place, but that in highly democratized countries repression is diminished (Davenport 2007).⁷

To sum up, democratic and autocratic systems differ i) in their production of public goods in relation to private goods, ii) in the extent to which they are accountable to the wider population, and iii) in the degree to which they use repressive means to maintain political stability.

Before I will derive the foreign policy preference for a specific regime type that follows from these structurally different incentive systems in democracies and au-

⁶But research on autocracy has shown that patterns of autocratic regimes matter. Single-party dictatorships, for example, ‘typically institutionalize turnover within the party structure, thereby removing uncertainty over succession [...]. Leaders in these regimes are more likely to leave power by regular means (as opposed to assassination, coup, or exile) than leaders in other types of regimes [...].’ (Wright 2008, 977).

⁷However, democratization itself does not necessarily lead to decreased repression. ‘The road to political openness is thus paved with political coercion but the arrival is generally pacific’ (Davenport 2007, 11).

tocracies, I will briefly turn to a second existent approach in literature which connects domestic politics to the international context as well as to regime type and regime survival.

3.2. Domestic politics, international cooperation and leadership survival

The second piece to link autocratic domestic structures to external autocracy promotion or support for autocratic survival is the literature on regime type and international cooperation and international cooperation and leadership survival respectively. Here, I refer to approaches at the conjunction of the fields of Liberal Foreign Policy Analysis and International Relations. The logic of political survival as a barter between preferential policies and support is automatically extended to international politics as soon as one assumes that different policy fields are used in an instrumental way to satisfy best a leader's desire to stay in power.⁸ In consequence, governments assess their external relations according to the degree to which they serve their interests, thus their utility to remain in power. Putnam (1988) has developed the notion of a 'two level game' where governments play at a domestic and an international level simultaneously.

‘At a national level, domestic groups pursue their interests by pressuring the government to adopt favourable policies, and politicians seek power by constructing coalitions among those groups. At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments’ (Putnam 1988, 434).

Against the background of Putnam's two-level game, others have formally modelled interaction at the international level (McGillivray and Smith 2000, 2004, 2006; Bueno de Mesquita and Smith 2007; Smith 2009). They assumed that leaders are often confronted with requests from other governments to adopt a specific

⁸Liberal Foreign Policy Analysis usually perceives foreign policy as an instrument to achieve domestic objectives (e.g. Milner (1997) and Moravcsik (1997)).

policy which is not necessarily in their own interest. But, often asymmetries in power relations exists, so that leaders face negative or positive incentives, such as sanctions, to comply with these external interests.

More specifically, by assuming leader-specific punishment, the survival of an individual leader is connected to his compliance with external interests (McGillivray and Smith 2004). Unlike traditional liberal approaches⁹ that are blind to leadership turnovers, these leader-specific approaches perceive sanctions and rewards to be targeted at a specific government. This conceptualization does not only allow for the restoration of cooperation after the removal of non-cooperative leaders, it also implies that external powers can target international cooperation to specific actors in another country and withhold it from others.

Based on the selectorate theory presented earlier, Smith (2009) provided a formal model in which he showed that selective international cooperation disturbs the domestic balance of power and impacts on the survival of competing political actors in a country. Recall, the selectoreate theory argued that the redistribution of resources to crucial societal subgroups is necessary to succeed in the domestic competition over power. Assuming that international cooperation is in principal beneficial to a government, external actors can influence the distributional capacity of domestic actors by cooperating only selectively. In other words, when external actors decide to cooperate with only a specific actor in a country, and not with another, they support the former and disadvantage the latter. This is because the former gains from cooperation and can redistribute these gains among his constituency while the latter cannot.

Studies on the phenomenon of international cooperation have examined the effect of regime type on international behavior on a wide range of issues from conflict to cooperation. Usually, it was assumed that dyadic interaction is shaped by regime similarity (Leeds 1999; Mansfield et al. 2000; Russett and Oneal 2001; Milner and Kubota 2005). In contrast to this approach, the approach here suggests that dyadic interaction is the cause rather than only a consequence of regime

⁹In the traditional liberal works on cooperation states are seen as unitary actors. Based on this assumption, Axelrod (1984) for example, developed the tit-for-tat model, in which states mirror the cooperative or defective behavior of their counterpart.

stability (and convergence respectively).¹⁰

3.3. Foreign policy - preferences for regime convergence and autocratic stability

In the previous sections, I first illustrated the domestic logic of political survival and the different incentive systems in autocracies and democracies. Second, I connected foreign policy behavior and international cooperation with domestic political survival. If foreign policy, as a policy field, is assumed to be used in order to achieve a government's overriding goal of securing its position in office, the domestic logic of maintaining power determines foreign policy decisions. Accordingly, foreign policy is designed to realize the decision maker's desire to stay in power and tends to follow the domestic strategies to do so.

From this starting point three arguments can be derived which suggest that governments are not indifferent with respect to the regime type of others, especially not to that of their neighbors. The first consideration is related to the distributional means of preserving power. While democratic leaders, in order to satisfy a rather broad coalition, are more reliant on the provision of public goods, for autocratic governments it is more important to selectively distribute private goods to their relatively small coalition and to respond to specific vested interests. In turn, democratic governments face strong incentives to exploit international relations in order to improve their performance in the provision of public goods. The provision of public goods exceeds the domestic borders in many ways and often they are easier achieved by international cooperation. For example, it has been shown empirically that democratic governments are less likely to enter war with each other and are more willing to open their domestic markets for international trade because peace and free trade primarily favors a large part of the population (Russett and Oneal 2001; Milner and Kubota 2005). So, democratic incentive structures elsewhere ease the provision of transboundary public goods, whether

¹⁰Actually, within the democratization debate, a similar point has been made by diffusion theory (Simmons and Elkins 2004; Gleditsch and Ward 2006; Brinks and Coppedge 2006) or by Levitsky and Way's (2005) notion of linkage and leverage. However, as already mentioned, the focus in these works was predominantly on the spread of democracy.

peace, free trade, a clean environment or the prevention of uncontrolled migration and therefore they should be in the interest of democracies.

This argument becomes even stronger when authoritarian states cause negative externalities which are counterproductive to a democratic government's efforts to provide good performance. For example, Zimbabwe's devastating humanitarian situation which caused the spread of cholera in late 2008 has not seriously threatened Zimbabwe's autocratic leader Mugabe, but it might become a challenge to neighboring governments in South Africa or Mozambique if the epidemic spreads across borders. As democratic leaders are evaluated by the masses on their performance, they are more vulnerable than authoritarian governments to fall over crises caused by others. Autocratic leaders, in contrast, are relatively immune against external influences as long as they can shield their narrow support groups against negative effects. Both the fact that cooperation in order to produce public goods is more likely to materialize between democracies because they are equally interested in the outcome and the fact that negative externalities are more likely to be provoked by autocrats are two strong reasons why we would expect democratic leaders to favor other countries to be democratic as well.

But which preference would we expect for autocratic leaders? The very same distributional incentives also deliver an argument why leaders in powerful autocracies should be interested in others being autocratic too. According to the domestic distributional logic, autocratic leaders are likely to use foreign policy to increase the resources which they can then redistribute among the winning coalition in their population. Instead of producing public goods, this often involves the distribution of private goods. As has been argued, democratic government spending and decision-making more generally underlies relatively high requirements concerning accountability and transparency. Therefore, it is relatively difficult to influence democratic decisions from outside. In autocracies, however, the circle involved in decision-making is small, accountability to the population is low and the interests of the decision-makers are narrow. Therefore, it is comparatively easy to manipulate an authoritarian government's decision-making. In relative terms, it is easier for external players to exploit authoritarian states than democratic ones (Bueno de Mesquita et al. 2003).

Exploitation, in this sense refers to the realization of economic, political or geo-

strategic interests like the extraction of natural resources, the acquisition of land concessions, the agreement on transit rights or the deployment of strategic military bases on foreign territory at relatively low costs.

Clearly, this exploitation argument is theoretically also valid for major democratic powers. However, as argued above democracies are also more vulnerable to negative externalities produced by autocracies. So, for democracies the preference order may be less clear than for autocracies. Since the incentives for democratic leaders whether to prefer democracies or autocracies are ambiguous, it is not straightforward to make a general prediction which type of regime a democratic power would like best.

Just as autocracies are likely to produce negative externalities for democracies, democratic spill-over effects from democracies are a cause of concern for autocratic leaders, especially when democracies are in their close neighborhood (Ambrosio 2009). On the one hand, being less reliant on the use of repression, democracies are more likely to pressure others for human rights abuses, while authoritarian governments are more likely to have similar attitudes towards the means of repression to stay in power. Since autocrats are principally more reliant on repression to maintain power, they are less willing to criticize and to interfere in the domestic affairs of others (Burnell 2010).¹¹ Moreover, the liberal atmosphere in democracies with better access to information, more open debates and less human rights abuses form a potential cause of unrest if they diffuse to autocracies and inspire a demand among the population for similar rights and freedoms as enjoyed in democratic neighboring countries. Even when such calls do not succeed in mobilizing enough support to overthrow the dictator, they are costly for the autocrat, because he needs to respond with increased repression or cooptation.

At the core of this potential to destabilize autocracies is the vulnerability of autocrats to the question of legitimacy. Because the legitimacy question is typically posed when people realize that autocracy is not inevitable, ‘autocrats have a stake in ensuring that additional countries do not ‘fall’ to democracy. For instance, from a regional perspective, the ability of a country to withstand democratic pressures benefits all authoritarian regimes in the region. If a pattern of democratic

¹¹Werner (2000) argues that this is also a reason why not only democracies, but also autocracies experience fewer disputes amongst each other.

transitions is halted, this would undermine a sense of momentum and reverse any belief that the overthrow of autocratic leaders is inevitable' (Ambrosio 2009, 23). This domino effect became evident in Latin America where almost all countries democratized within one decade during the 1980s and then in the states of the former Soviet Union after 1989. The recent wave of popular upheaval in the Arab world gives a new vivid example of the strength of neighborhood effects in inspiring attempts to overthrow authoritarian governments.

From an authoritarian perspective, having a dictatorial neighborhood is desirable because it not only reduces the risk of subversive democratic spill-over effects, but also reduces the likelihood of being punished for using repressive means, thereby reducing the cost of repression.

It follows from this that governments should for good reasons favor similar regimes elsewhere especially in their neighborhood. There are clear incentives for democratic leaders to favor other democracies which are related to the performance orientation of democratic governments. In contrast, autocratic leaders benefit from authoritarian neighbors because it is easier to extract vital assets from them. While this incentive, in principal, is a valid one for democracies alike, being in an autocratic neighborhood is a mixed blessing for democracies as democratic leaders may suffer from the negative externalities caused by authoritarian neighbors more than other authoritarian neighbors. Last, but not least, autocracies have a strong incentive to favor other autocracies when it comes to their reliance on repression to enforce their position in power.

Bringing the different approaches that have been presented earlier together, political economy provides a micro-foundation for foreign policy preferences. Accordingly, democrats are expected to use Putnam's international level to make others more willing to contribute to the creation of public goods, while autocrats are expected to make use of the international level to acquire private goods to maximize their own ability to satisfy domestic pressure. At the same time, the adverse consequences which governments seek to minimize also differ: For democrats, this is the negative externalities created by autocracies, while autocrats perceive the democratic diffusion effects and interventionist intentions from democracies as a threat. From this perspective, a country's interest in a specific regime type elsewhere is of a purely instrumental nature.

Autocratic leaders simply seek to survive in power and while it is beneficial for their own longevity when others are similarly autocratic this does not necessarily imply that a specific regime type is actively promoted elsewhere. Empirically, one can distinguish between the inducement of transition from a democratic to an autocratic type of regime and the support or stabilization of existing autocratic leaders. This study focuses on the latter. It should be noted that the exploitation argument as an instrumental motivation for supporting the persistence of autocracies already implies the very mechanism by which autocracies are stabilized namely by addressing the autocratic leader and his winning coalition with targeted private goods. Whether, and if so in how far, it leads to the erosion of democratic structures when democratic leaders are similarly addressed with targeted goods in order to achieve policy concessions is then a question that falls in the category of autocracy promotion.

3.4. Hypotheses

In the previous sections, I drafted a theoretical argumentation on the foreign policy preferences of governments in differing political regimes. I discussed why leaders are benefiting from similar regimes elsewhere and why this could eventually lead to the proliferation and stabilization of a specific regime type. I will now apply this theory and test it on the specific case of China. To this end, I formulate a few hypotheses which I will test later in this thesis. Considering that China is a major regional and an emerging global power, one can derive a number of predictions on autocratic behavior in general, and more specifically on China's foreign policy behavior and its interaction with other states.

It is beyond doubt that China's political system has autocratic features. Characterized by a socialist political system with the monopoly of power in the hands of a single party, China is consistently rated as highly authoritarian by the most common political indices.¹² Certainly, with the change in leadership from Mao

¹²Freedom House, ranging from 1 (most democratic) to 7 (least democratic), rated China with 6 from 1972 until 1987 and with 7 from then on; and China's score on the Polity index, ranging from 10 (most democratic) to -10 (least democratic), since 1975 was -7 (Marshall and Jaggers 2008).

Zedong to Deng Xiaoping, China's political system has undergone considerable changes. These, however, mark a shift from a totalitarian to an authoritarian system¹³ rather than a step towards democracy. And while economic liberalization since 1978 has been successful, it was not particularly conducive to fundamental regime change. Attempts to political reforms and liberalization remained limited.

As discussed in the previous section, the very root of the political economy argument is that the domestic political structure of a state, or more precisely the size of its coalition, is of interest to the Chinese government, because it affects the ease with which a government can be influenced. The core of the argument is that small coalition governments are easier to exploit from the outside. As a consequence, if the theoretical argument is right, China should be more successful in realizing its foreign interests vis-à-vis small coalitions than vis-à-vis large winning coalitions. This is my first hypothesis (H1).

H1 China is more successful in realizing its interests in autocracies than in democracies.

What immediately follows from H1 is that China should prefer autocracies to democracies to cooperate with. When the Chinese government decides whether to cooperate with a country or not, regime type should be one criterion whereby autocracies should be more likely to have cooperation with China. This proposition forms my second hypothesis (H2). Moreover, considering cooperation as a reward for responsiveness to Chinese interests, we would expect that countries are more likely to become a partner for cooperation when they comply with Chinese foreign policy objectives (H3).

H2 China prefers autocracies to democracies for cooperation. Therefore, autocracies are more likely to become a partner for cooperation than democracies.

H3 Compliance is rewarded by cooperation. Therefore, compliant countries are more like to become a partner for cooperation than non-compliant countries.

With respect to the assumed causal mechanism, small coalition governments rely more on the targeting of goods towards their specific supporters, while large

¹³For the distinction within the category of authoritarian systems, see for example: Brooker (2009) or Linz (2000).

coalition systems focus more on the provision of public goods to the whole population. From the perspective of an external player with its own interest to extract policy concessions from a government, it seems plausible to adapt to this incentive system if he can observe the size and composition of the winning coalition elsewhere. So the immediate implication of the theory is that small coalition governments exchange policy concessions against targeted goods from external players. Democrats, in contrast, need a good policy performance to survive and they should therefore value the provision of public goods for their own survival higher than the provision of private goods. Therefore, one would generally expect to see China exchanging more private goods with autocracies than with democracies and to exchange more public goods with democracies than with autocracies. It is, however, difficult to empirically differentiate between different types of goods that are exchanged.

An easier way to test my theory is to look at the volume of goods that are exchanged. It has been argued that development aid is a strategic tool to purchase or reward policy support from other countries (Bueno de Mesquita and Smith 2007, 2009a) and some studies find that Western aid allocation is driven at least partially by the self-interest of the donor (Schraeder et al. 1998; Hook and Zhang 1998; Alesina and Dollar 2000; Weder and Alesina 2002). Against this background, I expect that the Chinese government also transfers resources, for example in the form of development assistance or financial aid, to other governments in order to make these more compliant with Chinese interests. Because regimes differ in their willingness and ability to comply with Chinese interests, we would expect this ‘price’ that the Chinese government has to pay for compliance to vary with regime type. All else equal, the Chinese government is expected to transfer fewer resources to autocracies than to democracies in order to realize a given set of objectives (H4).

H4 China transfers fewer resources to autocracies than to democracies.

Moreover, since governments are primarily interested in resources to satisfy their coalitions, the argument also implies that countries offering more extractable resources are more prone to be exploited. Specifically in the case of China, which has an outspoken interest in assuring the access to natural resources in order to

maintain its domestic stability, I expect a focus on resource rich countries. Therefore, all else equal, the Chinese government is expected to transfer more resources to resource abundant than to resource scarce countries (H5).

H5 *China transfers more resources to resource abundant than to resource scarce states.*

As I have argued, the theory also suggests that conflict and cooperation of major autocratic powers are the cause of system convergence and suggests that cooperation with autocratic major powers increases the likelihood of survival of autocrats.¹⁴ Hence this is the next hypothesis that will be tested (H6).

H6 *The more cooperation between China and an autocrat, the longer this autocrat will survive.*

In this section six hypotheses concerning China's foreign policy behavior and its effects have been derived from the overall argumentation. The predictions made in these hypotheses are tested in the subsequent chapters. In chapters 4 and 5 I will quantitatively test H2 to H6. The comparative case studies in chapter 7 to chapter 9 provide an examination of H1.

¹⁴From a theoretical perspective, it would doubtless be interesting to extend the analysis to conflictual autocratic behavior. From an empirical perspective, however, this question seems less compelling in this context since, to my knowledge, the only country which is threatened of military intervention by the Chinese government is Taiwan.

4. The analysis of autocratic cooperation

This chapter is dedicated to the investigation of whether China's economic cooperation with autocrats differs between democrats and autocrats (H2 and H4), whether economic cooperation rewards compliance with Chinese interests (H3) and whether China's economic cooperation depends on resource abundance (H5).

I start off with specifying and operationalizing the relevant variables. Then, I describe the data and my methodological approach and finally I present my results.

4.1. Concept specification and operationalization

Autocratic cooperation

Hypotheses H2 and H3 predicted that the Chinese government is more likely to cooperate with autocracies and with governments which comply with China's interests. In some of the later hypotheses this cooperation was already specified as 'transfers of resources' from China to another government. Studies investigating similar questions often use data of foreign assistance or development aid as an indicator for the transfer of resources (Bueno de Mesquita and Smith 2007, 2009a). In the case of China, this is a difficult task. It is an explicit Chinese policy to link foreign investment, trade and aid in order to pursue the domestic economic modernization (Brautigam 2009), but for the first and the latter, data is scarce. In the following, I elaborate in more detail on both variables in the context of China.

Chinese economic cooperation In 1995, the Chinese aid architecture has been fundamentally restructured to better pursue the goal of domestic modernization. The Chinese 'go out' policy that was launched in 2001 and aimed at

enhancing the global competitiveness of state-owned enterprises by stimulating China's state-owned companies to invest overseas further complemented this approach. In addition to a wide range of preferential treatments in the domestic context, such as tax breaks and cheap land and capital, the Chinese government strengthened its back-up of its corporations at the international stage.

Much of China's economic assistance comes in the form of concessional lending of money that is directly allocated by the Chinese government through China's state banks to Chinese firms in order to carry out investment projects abroad. The recipient country will be invoiced for the loan, but will never see any cash money. The criteria for a loan generally are plentiful resources, a large market and favorable economic prospects (Hubbard 2007, 7). From this, it becomes evident that economic cooperation has a strong focus on export promotion, and securing access to resources (Davies et al. 2008). Perhaps exemplary in this respect, there is no Chinese understanding of 'aid' comparable to the OECD definition of official development assistance. The Chinese 'aid' statistics, in contrast to the OECD statistics, not only includes subsidies on interests, but also military aid, for example (Brautigam 2009). This aid budget is tiny compared to other donors. Its volume is 'lagging behind that of the overall fiscal expenditure' and has been 'hovering around 0.01% [of GNI] over the decade since 1995' (Kobayashi 2008, 27). Unfortunately, there is only annual aggregate data available on these expenditures and no official information specifying details on who gets this money for what kind of projects.¹ What is available, is annual data on the turnover of all projects carried out by Chinese companies during the period 1998 to 2008. More precisely, these statistics 'include (1) overseas civil engineering construction projects financed by foreign investors; (2) overseas projects financed by the Chinese government through its foreign aid programs; (3) construction projects of Chinese diplomatic missions, trade offices and other institutions stationed abroad; (4) construction projects in China financed

¹There is a database on completed aid projects which was collected from newspaper reports, but this data does not contain aid volumes (Hawkins et al. 2010).

by foreign investment; ² (5) sub-contracted projects to be taken by Chinese contractors through a joint umbrella project with foreign contractor(s); (6) housing development projects' (National Bureau of Statistics of China 2010).

This melting pot of trade, aid, and commercial foreign direct investment figures is clearly not an ideal measure. And it should not be mistaken as China's development assistance. However, it is a proxy for China's engagement in the developing world and as Berthélemy (2009) has argued, this data is most likely correlated with financial engagement, given that Chinese financial and development assistance is tied. The fact that China has been increasingly successful during the last years in winning tenders of internationally financed construction projects (by the World Bank, for example) and the fact that these projects are included in this data is a challenge. However, Foster et al. (2009) estimated that in 2002-2005 only approximately 10% of Chinese economic cooperation projects in Africa were not financed by Chinese sources, and the bulk of projects was funded by Chinese money.

Thus, although there is noise in the data, for the lack of availability of a more reliable proxy (such as purely financial transfers from China), I use this statistic in my variable *economic cooperation*. Using this data implies the risk that too much noise in the data cloud my results, however. It should also be mentioned that the data I use is not in very good shape. One cannot always clearly distinguish between missing values and non-cooperation.³

²This refers to projects that are carried out i) in China ii) by a Chinese company, but iii) financed by a third country, and iv) that have publicly been procured. In addition to the fact that this combination of requirements is probably not often met, information distributed by China's Ministry of Commerce hints to the fact that the bulk of China's economic cooperation truly refers to projects carried out abroad. Moreover, the Chinese administrative regulations for international projects also refer exclusively to projects abroad which also indicates that projects constructed in China are rather rare (Expert interview, Bonn 22 May 2011).

³Originally, in the data set all countries are enlisted with the respective amount of economic cooperation for each year a project was completed. When no economic cooperation took place countries do not appear in the data and the true value for these countries is zero. The problem is that there are a number of countries in which economic cooperation projects were completed in many years, but which do not appear in the original data set in certain years. In brief, it is not always clear whether no economic cooperation project was completed or whether some countries were simply forgotten to be put on the list. I am suspicious that some missing values could in fact very well be explained by a coding error, because the distribution of these missing values is not equal geographically and over time. For example, in 1998 and

A solution to this problem is not straightforward. One should keep these data related problems in mind when reading the results and treat the results with caution.

Independent variables

Regime type

According to my hypotheses, I expect a country's cooperation with China to be determined by its regime type whereby autocratic countries or small-winning coalition countries are expected to receive less cooperation. Determining a country's regime type is a complicated and irredeemably controversial undertaking (Przeworski et al. 2000), and therefore, I by and large built on two existing approaches to derive two variables which are both used to measure regime type.

Winning coalition W On the one hand, I operationalize autocracies in the very same way as Bueno de Mesquita et al. (2003) by using their variables W (size of winning coalition) and S (size of selectorate). Basically, a winning coalition W is considered to be large if the recruitment of the executive is open and competitive and the chief executive is selected by elections as opposed to heredity or rigged, unopposed elections. Additionally, military regimes in particular are considered to depend on a highly exclusive group. The measurement of W as described in Bueno de Mesquita et al. (2003, 134f)

2001, there are in total 15 and 34 countries missing while in other years no more than ten countries are missing. Also, many of the countries that do not appear in 2001 are located in Central Asia.

It would be incorrect to simply treat all these missing countries as missing values and drop them from the sample, because this would imply a non-observed selection bias.

In order to address this problem, I did the following: When countries were only occasionally missing, I replace these values with an estimation (ipolation). Then, I replaced all the remaining missing values with zero. After having ran my regressions, I compared the results with regressions in which all missing values were coded zero. Even though only 89 out of 923 missing values could be ipolated, in the regression were all missings were treated as zeros, coefficients were much more volatile and the higher uncertainties of the estimates in 1998 and 2001 were reflected in systematically larger confidence intervals in these years. Therefore, I decided to work with the ipolated data. However, volatility in the estimates is persistent in 1998, because as the starting year, it cannot be ipolated. For comparison, appendix B.3 contains the estimation results for the regressions when missing values in the dependent variable economic cooperation were not replaced by ipolation, but recoded as zeros.

and Mesquita and Smith (2010, 940) is as follows: The size of the winning coalition W is a composite index based on four equally weighed variables REGTYPE (Banks 2007), XRCOMP, XROPEN and PARCOMP from the Polity IV data (Marshall and Jaggers 2008).⁴ The variable is standardized to range from 0 to 1 where higher values indicate a larger winning coalition.

To measure S , Mesquita and Smith (2010) refer to the selection process of the legislative as an indicator of the inclusiveness of the selectorate. The size of the selectorate S is coded 0 if no legislature exists according to Bank's LEGSELEC variable, 1 if selection is nonelective, such as by heredity or ascription, and 2 if the legislature is elected. Again, this variable is standardized to range from 0 to 1 by dividing it by two. Larger values indicate a larger selectorate (Mesquita and Smith 2010, 940). I take these two variables from a replication data set of Mesquita and Smith (2010), which is posted on Bruce Bueno de Mesquita's homepage.⁵ The disadvantage of this data set is that it only covers the years up to 2006.

Autocracy dummy Alternatively, I refer to the works of Przeworski et al. (2000); Boix and Stokes (2003) and Cheibub et al. (2010) in the operationalization of the crucial variable of autocracy. I use Cheibub's democracy dummy to identify whether a country is autocratic or not (Cheibub et al. 2010). Since Svobik (2010) has used the same dichotomous distinction between democracies and autocracies to compile his data set on power and institutions in autocratic regimes, which will be the foundation for my later survival analysis, this dichotomous distinction will also determine the sample selection in my later survival analysis in chapter 5.

In principal, the approach followed here rests on a very narrow definition of democracy as opposed to non-democracy which similarly to the above-mentioned concept of the winning coalition is based on two criteria: 1) free

⁴More specifically, one point is added to the index 'for each of the following conditions: if Banks' regime type variable is nonmilitary, if XRCOMP is greater than or equal to 2 (meaning the chief executive is not chosen by heredity or in rigged, unopposed elections), if XROPEN is greater than 2, and if PARCOMP equals 5 (indicating the presence of a competitive party system)' (Mesquita and Smith 2010, 940)

⁵See <http://politics.as.nyu.edu/object/brucebuenodemesquita>

and competitive legislative elections, and 2) an executive that is elected either directly in free and competitive presidential elections or indirectly by a legislature in parliamentary systems (Svolik 2010). Alvarez et al. (1996) refer to Schumpeter (1942) and Dahl (1971) when establishing these two dimensions as the minimalist criteria for democracy. Regimes are considered to be democratic if they satisfy both conditions, and as autocracies if they miss out on one or both.

In the later regression analysis, I use the autocracy dummy as the main instrument to measure regime type. I decided to use this variable, because it covers the complete period of time. The size of winning coalition W is used to replace the autocracy dummy in order to test the robustness of the results.

In line with my earlier conceptualization of democracy in chapter 2, both variables W and the autocracy dummy are based on a minimalist and procedural definition of regime type. As Cheibub et al. (2010) argue, the use of such minimalistic measures in empirical research is not only adequate when the mechanism that links political regimes to outcomes such as the provision of public goods, accountability, human rights protection or economic reforms is the presence or absence of contested elections. Expanding the definition to include normatively desired outcomes might even harm empirical investigations by making it harder to specify the causal mechanisms and by blurring the line between political regimes and other political entities. For example, Cheibub et al. (2010) criticize that the competitiveness of elections is conflated with the measurement of political violence in the Polity data set and that both Freedom House and Polity are in fact not continuous measures, but categorical. Others have pointed out that these categories are highly imprecise because Polity's aggregation rules are arbitrary so that only a tiny share of possible combinations of its numerous sub-components is reflected in the index (Gleditsch and Ward 1997; Treier and Jackman 2008).

Finally, the informational value added of polychotomous classifications such as Freedom House and Polity is also questioned, because of their bimodal distribution with many cases in the low and high ends. This bimodal distribution explains the high correlation between dichotomous and polychotomous cases, but it is also most likely the force behind the empirical patterns in studies concerned with political

regimes. Once the cases in the extreme ends are deleted the correlation drops significantly. The critique here is that there is no agreement on the conceptual specificity of the cases in the middle categories and no substantial interpretation of what a move from one to the other category empirically means (Cheibub et al. 2010). For all these reasons, I chose a dichotomous measure of regime type instead of a polychomous measure.

Resource endowment

Hypothesis H5 stipulates that resource abundance of a country is expected to increase the transfers a country receives from China. Measuring resource abundance is not a straightforward undertaking. A variety of attempts has been made to do so but empirical findings are highly sensitive to the choice of resource measure (Bond and Malik 2009; Norman 2009).

The most common approach is to measure the value of primary commodity exports (or specific commodities) as a share of national income or total exports (Sachs and Warner 1999, 2001; Isham et al. 2005). Another export-based approach is the UNCTAD's export concentration index. The main critic of using these relative indicators is that they do not directly measure resource wealth, but intensity, and that the share of primary commodities in GDP may be driven by other factors such as policy or the degree to which a country processes its mineral resources instead of merely exporting them (Norman 2009; Bond and Malik 2009).⁶

It appears that different effects are attributed to different types of resources and therefore many authors focus on a specific type of natural resource depending on their research interest. The literature on natural resources, political institutions and growth or interstate war, for instance, mostly looks at oil (Herb 2006; Bond and Malik 2009) while the literature on resources and internal conflict often

⁶The World Bank has made an alternative approach to measure resource abundance based on the net present value of the stream of natural resource rents (World Bank 1997, 2006). The World Bank's 'natural capital' measure which includes agricultural land, pasture lands, forests, protected areas, metals and minerals, and coal, oil and natural gas estimates the natural wealth of a country by adding up the present values of a stream of resource-specific rents over the projected life of a given deposit under the assumption of a discount-rate of 4%. The World Bank also delivers a subindicator of subsoil assets that contains only metals, minerals, coal, oil and natural gas. The disadvantage of this data set is that it comprises only roughly 100 countries at two points in time, 1994 and 2000.

takes diamonds as an indicator (Lujala et al. 2005; Snyder and Bhavnani 2005; Humphreys 2005). With respect to this research, from a theoretical and from an empirical perspective, the Chinese economy is in need of a wide variety of natural resources, ranging from mineral fuels, natural gas, ores, iron, and coal to wood and agricultural raw products. It would thus be desirable to include as many resources as possible in the analysis.

However, the approach of using production or stocks of natural resources is plagued by low data quality and the difficulty to weight different types of resources.⁷ In consideration of all these difficulties, I decided to use two very simple resource variables oil and an index of mineral wealth.

Oil Firstly, I took proved crude oil reserves in billion barrels (U.S. Energy Information Administration 2010). Because oil reserves are distributed in an unbalanced way around the world, with a few countries having very large resources while many others have nothing, I took the natural logarithm of oil reserves.⁸

Minerals index Secondly, I constructed an index of five strategic minerals. These minerals are iron ore, chromium, cobalt, copper and manganese (U.S. Geology Survey 2008).

Because a couple of years can pass between the exploration and development and the actual exploitation of natural reserve deposits - particularly in the case of subsoil deposits - it is desirable to use data on actual mineral deposits rather than the production of these minerals. However, for many resources there simply exists no satisfying data - in terms of existing resource deposits rather than extraction - on the base of which the abundance of different types of resources could be aggregated. Production data are both more accurate and better accessible even though using production data implies the risk that Chinese attention in the form of economic cooperation to resource rich

⁷Summing up present resource stock values and values of past extraction quantities, Norman (2009) compiled a comprehensive data set on resource stock values comprising oil, coal, gas and 35 different minerals in 1970. She circumvents the problem of weighting different minerals by aggregating them in terms of market value at 1970 prices. Unfortunately, the data available only refers to resource stocks in 1970 and 1971 respectively.

⁸For technical reasons, I replaced zeros with a very small quantity before taking the logarithm.

countries with the prospect to exploit resource deposits in the future might not yet be highly correlated with extraction data.

To avoid the problem of aggregation, I created dummy variables for each mineral, coding it '1' if a country was involved in the production of the respective mineral, and coding it '0' otherwise. Then, I constructed an index adding up the number of minerals a country possessed and normalized the index to range from 0 to 1 by dividing by five.

Compliance

When the Chinese government uses cooperation to increase compliance with its interests, compliant countries should more likely become a partner for cooperation (H3). I measure compliance in two ways: a country's adherence to the 'one China' policy and a country's voting behavior in the *UN*.

Diplomatic relations with Taiwan Adherence to the 'one China' policy is the cornerstone on which the government of the *PRC* has built its relations to other states in the past and this is the only explicitly named political conditionality of Chinese foreign aid. It is plausible that this principle also affects other aspects of China's foreign relations, such as the more commercially oriented Chinese economic cooperation. Variable *Taiwan* is a binary variable which is coded '1' for each year during the period of investigation in which a country officially recognized Taiwan and '0' otherwise. The variable was coded based on own research.⁹

UN voting behavior Variable *UN voting* gives the conformity of a country's voting behavior with Chinese votes in the *UN* General Assembly in percent. It has been constructed on the base of Voeten and Merdzanovic (2009)'s data on votes in the *UN* General Assembly by counting how often a country's representative voted in the same way - including abstentions and absentees

⁹Basic information was taken from Wikipedia, Yahuda (1996), and a number of country specific sources, and then verified with the Taiwanese Ministry of Foreign Affairs in an email correspondence.

- as the Chinese.¹⁰ Then conformity was expressed in percentages of annual voting situations.

Control variables

A number of other factors are likely to have an impact on the density of relations between states too. For example, it also seems plausible that the transfer of resources is not only affected by regime type and the resource abundance of a country, but more generally by its wealth, size and proximity to China. With reference to a classical gravity model,¹¹ the following variables are included in order to control for such other factors. All data sources are listed in appendix A.

Economic development A country with low economic productivity is more likely to rely on the extraction of natural resources and will probably receive more economic assistance. In order to control for this factor, the natural logarithm of GDP per capita ($GDP/c (ln)$) taken from the Penn World Table (Heston et al. 2011) is included. There are two countries for which I use different data: Myanmar and Turkmenistan. Because of missing data in the Penn World Table, I use the TED data set for Myanmar (The Conference Board 2011). For Turkmenistan the Penn World Table contains wrong values, this is why I use data from the World Bank (2010)'s World Development Indicators.

Size A big country is likely to be more productive in absolute terms. Therefore, the model contains size in terms of population. The variable is taken from the Penn World Table (Heston et al. 2011) and the natural logarithm is taken ($population (ln)$).

Distance Furthermore, higher interaction is expected between close countries than between distant states. Variable *distance* is based on the capital distance data set (Gleditsch 2008) and denotes the natural logarithm of kilometres between a country's capital and Beijing.

¹⁰Voting situations in which a country or China was coded as 'not a member' were ignored.

¹¹In analogy of the concept of gravity this widely used model explains the dyadic economic flows as a function of the 'masses', such as the wealth and size of states, and their distance from each other (Wall 1999).

This classical gravity model is extended by three further factors, the volume of military transfers from China to other countries, the volume of bilateral trade flows and the degree to which a country receives financial transfers from Western powers.

Military transfers For a number of reasons, I did not use military ties as another form of cooperation as a dependent variable. First, China is not a prime arms supplier. In the period between 1998 and 2005, its worldwide arms exports made up less than 5% of total arms transfers in the world. Its clients, however, are virtually all developing countries, primarily in Asia and Africa that seek quantities of small arms and light weapons (Grimmett 2006).

Second, there is a problem of data availability. Statistics such as the one from Stockholm International Peace Research Institute, for example, are at best far from comprehensive. Moreover, it could be specifically misleading to measure the extend of military support in monetary terms because China's support materializes in specific 'friendship prices' for military equipment. Therefore, monetary measures do not reflect the actual degree or value of military support.

However, it is plausible that there is a correlation between the purchase of military equipment from China and economic cooperation. This correlation could have two potential sources. Either receiving economic cooperation from China enables governments to purchase military equipment, because it frees resources that would otherwise have been spent differently or purchasing military equipment is a form of compliance because it feeds one of the most powerful interest groups in the Chinese winning coalition, the military in China.

I use the SIPRI Arms Transfer Database (Stockholm International Peace Research Institute 2008) as the basis for my control variable *military transfers*. Since this data set contains only values when a transfer was observed, missing values were recoded as zero, and then replaced by a very small value before taking the natural logarithm.

Trade Investigating the exchange of goods between countries, it is natural to look

at trade flows. My control variable *trade* measures a country's absolute bilateral trade with China as imports plus exports. Bilateral trade flows are compiled from the IMF DOT data (International Monetary Fund 2010). I use the natural logarithm of the accumulated values of imports and exports.

Linkage with Western powers Maybe Chinese economic cooperation is simply directed to countries where there is demand or where it is expected to have the highest impact because few alternative sources of income exist. This would imply that Chinese economic cooperation is also determined by the behavior and aid allocation of other major donors. It would imply that in order to avoid investing in countries which are not likely to respond to Chinese interests anyway, because they are heavily dependent on other donors the Chinese government allocates its money to countries in which Western presence is minimal. In order to control for this possibility, I include a variable for the degree of dependence on Western donors of a country (*OECD ODA % GDP*). It measures the official development assistance (*ODA*) a country receives from the OECD donors as a percentage of GDP.

OECD ODA was taken from the OECD DAC database (Organisation for Economic Co-operation and Development 2010). Because this database contains only those countries which receive development assistance, missing values for all other countries were replaced by zero.¹²

Table 4.1 gives an overview over the expected influence of the variables discussed above on the likelihood that cooperation takes place and on the volume of cooperation. With respect to the selection as a partner for cooperation (the second column in table 4.1), I expect that autocracies are more likely to become a partner. Accordingly, the expected effect of the autocracy dummy is positive and the effect of the coalition size *W* is negative, because lower values of *W* indicate smaller coalitions, thus more autocratic regimes.

Compliance with Chinese interests should clearly increase the chance for cooperation. UN voting behavior should have a positive influence while relations with Taiwan should have a negative influence. Because resource-rich countries are at-

¹²ODA as set in relation to GDP according to the following formula: $ODA/GDP*100$

tractive targets to be exploited, I also expect that resource endowment, that is oil and minerals should increase the likelihood that cooperation takes place.

With respect to the gravity variables, I expect that wealth and population have a positive effect on the likelihood for cooperation, because wealth and size make countries potentially more important in the international system and it might simply be difficult or counterproductive to China's interests to completely ignore or avoid them. With increasing distance, I expect fewer cooperation. Both, military transfers and trade are expected to have a positive impact on the likelihood that cooperation takes place while the dependence on foreign aid from Western countries should have a negative impact. I expect the Chinese government to avoid targeting countries that are already highly aid dependent, because this existing dependency is assumed to make a country responsive to the donor's interests. Targeting these countries would therefore imply to compete with alternative donors. When confronted with the decision whether to enter into competition or to search for partner countries in which Western donors are less dominant, the latter would clearly be more desirable.

Table 4.1.: Expected influence of the independent variables on the likelihood that cooperation takes place and on the volume of cooperation.

Variable	Expected influence on	
	likelihood	volume
<i>Autocracy dummy</i>	+	-
<i>Size of Winning coalition</i>	-	+
<i>UN voting</i>	+	+
<i>Taiwan</i>	-	-
<i>Oil reserves</i>	+	+
<i>Mineral index</i>	+	+
<i>Gdp/capita (ln)</i>	+	+
<i>Population (ln)</i>	+	+
<i>Distance(ln)</i>	-	-
<i>Military transfers</i>	+	+
<i>Bilateral trade</i>	+	+
<i>OECD ODA</i>	-	+

As to the volume of cooperation (the third column of table 4.1), the theory suggests that autocracies are actually disadvantaged in comparison with their demo-

cratic fellows. Consequently, the autocracy dummy is expected to have a negative sign, while coalition size W should be positive. As hypothesised in chapter 3.4, it is assumed that resource endowment should increase the volume of economic cooperation, thus oil and minerals should positively affect the volume of cooperation.

The positive expected effect of GDP might appear counter-intuitive at the first sight, but follows from an earlier argumentation of Bueno de Mesquita and Smith (2007, 2009a). Higher GDP implies that a government has more domestic resources and can act more independently. Against this background, I assume that a richer country can demand larger ‘investments’ or in other words a higher price from China in exchange for compliance with Chinese interests. Accordingly, GDP should have a positive impact on the amount of economic cooperation. The population size of a country should clearly have a positive impact on economic cooperation. Geographic proximity should increase economic interaction because on the one hand transportation cost are assumed to increase with geographic distance and on the other hand, proximity should increase the interest to carry out projects, for example in the infrastructure sector, that serve the broader Chinese goal of regional integration.

Again, military transfers and trade are expected to have a positive impact on the volume of economic cooperation. Also, dependence on Western donors should be correlated with higher amounts of economic cooperation. This is because China has to compete with Western influence in countries that are dependent on other donors. If the Chinese government wants to make these countries comply with its interests it has to offer more economic cooperation.

4.2. **Sample, descriptive statistics, and estimation procedure**

The examination of what determines Chinese cooperation and trade is done by several cross-section regressions with between 105 and 138 non-OECD countries in the sample. I start off this section by presenting my data and a brief descriptive analysis of the dependent variables. Table 4.2 enlists the summary statistic of all variables in the regressions on Chinese economic cooperation.

4. The analysis of autocratic cooperation

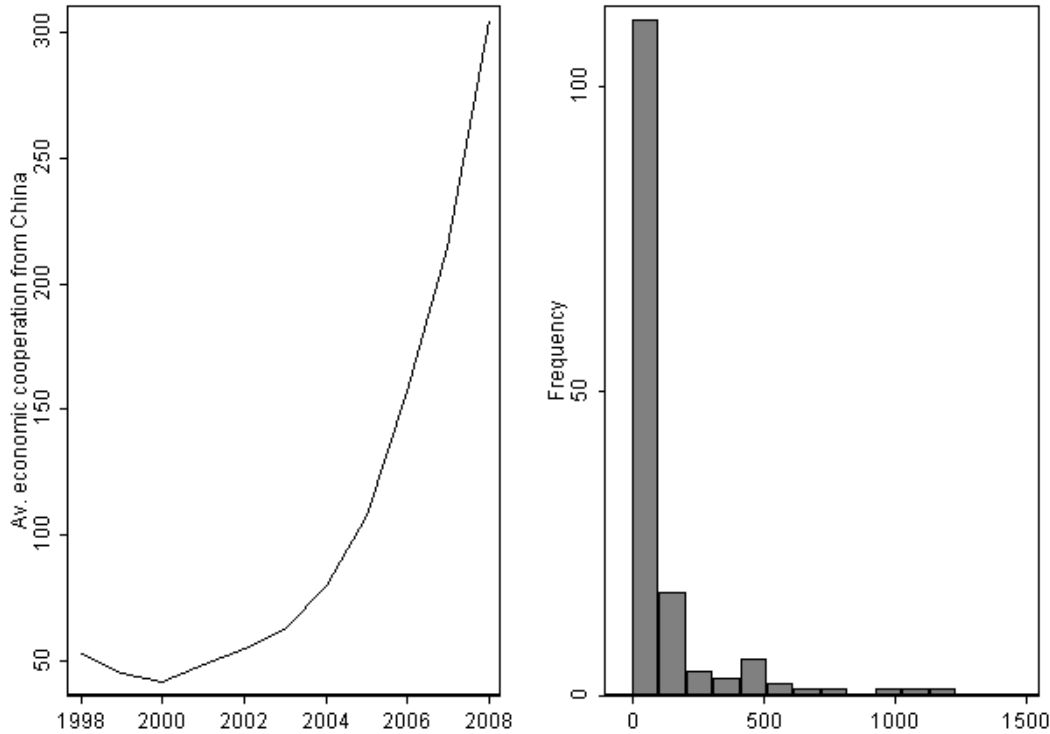
Table 4.2.: Summary statistics

Variable	Mean	Std. Dev.	Min.	Max.	N
Economic cooperation (ln)	1.31	5.21	-13.82	8.26	1639
Autocracy dummy	0.49	0.5	0	1	1639
Winning size W	0.6	0.25	0	1	1088
Proven oil reserves in billion barrels (ln)	-7.3	6.92	-13.82	5.59	1532
Mineral wealth index	0.1	0.19	0	1	1639
Dummy for dipl. rel. with Taiwan	0.16	0.37	0	1	1639
UN voting with China in %	70.37	20.84	0	100	1600
Population (ln)	15.38	2	9.84	20.85	1577
GDP/c (ln)	8.24	1.2	4.91	11.92	1577
Distance in km (ln)	9.02	0.54	6.71	9.87	1639
Military transfers from China (ln)	-12.65	4.28	-13.82	5.7	1639
Absolute trade with China (ln)	5.05	3	-13.82	10.98	1468
ODA % of GDP	2.2	4.7	-1.61	56.57	1577

Figure 4.1 illustrates the absolute distribution of Chinese economic cooperation over all non-OECD countries and over time. As can be seen, from 1999 onwards Chinese economic cooperation to the developing world has dramatically increased. In 1998, Chinese projects in other countries averaged less than US\$50 million annually; in 2008, this amount had reached almost US\$300 million. This increase in disbursement becomes also obvious at the country level: In 1999, the average amount received by country was little more than US\$40 million, in 2008, the average amount received was more than US\$4 billion. The distribution among countries varies considerably: the biggest recipient, Singapore, received projects worth more than US\$1 billion annually. Next to a number of countries which did not receive any economic cooperation at all, Costa Rica received on average the smallest amount with a volume of around US\$100,000.

In accordance with my hypotheses, I have run two types of regressions. The first type is a probit regression which is designed to examine why the Chinese government disperses economic cooperation to some countries, but not to others. This type of regression requires a binary dependent variable, which is why *economic cooperation* is recoded to take on only two values, ‘1’ when economic cooperation takes place and ‘0’ otherwise. The second type of regression examines what

Figure 4.1.: Average amount of Chinese economic cooperation (in constant US\$ million) by year and country.



determines the volume of economic cooperation. Here, the dependent variable is continuous and I have run cross-section tobit regressions.¹³

For this second type of analysis, a number of cross-section regressions were run which were then compared over time. I decided to estimate and compare cross-section regressions instead of doing a time-series analysis for two reasons. First, from a methodological point of view, panel data causes specific challenges and exploring the additional information comes at the cost of not being able to estimate the effect of variables that do not or only slowly change over time. For example, the effect of distance, regime type, or resource endowment - all variables that do

¹³The tobit model was chosen, because the data is left-censored. That is, either economic cooperation is given or not, but there are no observations below zero. In this case, ordinary least squares (*OLS*) could lead to biased coefficient estimates (Long 1997).

change only in rare circumstances or only very slowly - could not be explored.¹⁴ Second, the standard procedures to estimate time-series assumes that the effects of the explanatory variables are constant over time. But given that there have been policy changes in China's foreign policy specifically with the introduction of the 'go out' policy it is likely that some of the determinants for Chinese economic cooperation have become more important while others have lost weight.

4.3. With whom does China cooperate and what determines economic cooperation?

From the theory, five specific expectations were derived predicting to whom the Chinese government should give economic cooperation and how much. First of all, it was expected that the Chinese government selects autocracies to deliver economic cooperation (H2). Second, the allocation of economic cooperation should be conditioned on political considerations of whether or not a country adheres to the 'one China' policy and how it behaves in the voting situations in the *UN* General Assembly (H3). With respect to the question of what determines the amount of economic cooperation a country receives, it was assumed that autocracies should actually receive smaller amounts of economic cooperation than democracies (H4), resources-rich countries should receive more economic cooperation (H5). In the following, I investigate whether these predictions are correct.

Let's start with the question whether autocratic countries are more likely to receive economic cooperation. Model 1 (second column in table 4.3) is the baseline model. As can be seen in model 1, the autocracy dummy is positive. In line with

¹⁴In panel data, observations are typically correlated over time and across units. If the procedure of *OLS* regression is employed under these circumstances, heteroscedasticity and autocorrelation lead to inefficient estimates. A lengthy methodological debate on how to avoid the described problems has resulted in the wide application of the Beck-Katz standard which suggests including the lagged dependent variable, fixed-effects and time dummies to compute panel-corrected standard errors (Beck and Katz 1995, 1996; Beck 2001). Unfortunately, the Beck-Katz standard has the potential to cause new problems. First, as Plümper et al. (2005) show, in instances of persistent effects and a trend-ridden dependent variable, the coefficient of the lagged dependent variable will be biased upwards thereby absorbing most of the variance. Second, and even worse, when the regression contains time-invariant variables or variables that are only slowly changing over time, this procedure is inappropriate because fixed effects simply make it impossible to estimate time constant variables.

4.3. With whom does China cooperate and what determines economic cooperation?

Table 4.3.: Probit regression of whether China provides economic cooperation to non-OECD countries

	(1)	(2)	(3)	(4)
	Economic cooperation Coop. > 0		Economic cooperation Coop. > 0.01 % GDP	
Autocracy dummy	0.145 (0.392)	0.152 (0.453)	0.483** (0.191)	0.450** (0.204)
Dummy for dipl. rel. Taiwan	-1.209*** (0.299)	-1.164*** (0.306)	-1.028*** (0.282)	-0.977*** (0.296)
UN voting with China in %	0.007 (0.005)	0.008 (0.005)	0.007 (0.005)	0.007 (0.005)
Proven oil reserves in billion barrels (ln)	0.045 (0.033)	0.040 (0.035)	0.026 (0.020)	0.026 (0.020)
Mineral wealth index	2.310 (1.446)	1.816 (1.368)	-0.168 (0.431)	-0.180 (0.428)
Distance in km (ln)	0.539* (0.305)	0.225 (0.286)	-0.053 (0.211)	-0.186 (0.173)
Population (ln)	0.015 (0.094)	-0.044 (0.102)	-0.201** (0.083)	-0.269*** (0.089)
GDP/c t-1 (ln)	-0.208* (0.122)	-0.277** (0.134)	-0.509*** (0.121)	-0.565*** (0.139)
Military transfers (ln)				0.043** (0.017)
Bilateral trade (ln)		0.014 (0.029)		0.040 (0.030)
ODA % of GDP		-0.016 (0.038)		0.007 (0.053)
Constant	-1.577 (4.070)	2.793 (3.681)	7.930** (3.164)	11.766*** (2.780)
Observations	1497	1312	1497	1421
Year dummies	Yes	Yes	Yes	Yes

Standard errors in parentheses

* p<.1, ** p<.05, *** p<.01

Robust standard errors clustered by country

my expectations, this finding indicates that autocracies receive more economic cooperation. However, in model 1 the regime type variable is not significant. Accordingly, at the first sight, regime type does not seem to be a selection criterion when the Chinese government decides to allocate economic cooperation projects. This finding does not support hypothesis H2.

With reference to the compliance hypothesis H3, my results indicate that compliance with Chinese interests significantly increases the chance to receive economic cooperation from China. However, only one indicator for compliance, adherence to the ‘one China policy’ is statistically significant. The negative coefficient of the Taiwan dummy indicates that countries that recognize Taiwan have a lower likelihood to receive economic cooperation from China. Also, the positive sign of the UN variable suggests that voting in accordance with Chinese voting is likely to be rewarded by Chinese economic cooperation, but the effect is close to zero, however. This finding supports my prediction that economic cooperation is used by the Chinese government to reward compliance with its external interests.

However, it is important to note that the punishment for non-compliance or for the recognition of Taiwan is not very strict. Most of the 263 observations in the sample that did have diplomatic relations with Taiwan still received economic cooperation from China. Only in 52 cases no economic cooperation was delivered when Taiwan was recognized while 211 cases received economic cooperation even though Taiwan was recognized.

These results are evidence in favor for my theoretical prediction that economic cooperation is given to reward compliance, even though the finding also seems to suggest that punishment or reward is transmitted more subtle through the quality and volume of cooperation rather than through the decision to completely cease cooperation.

Interestingly, a country’s resource endowment seems to have no effects on the decision of the Chinese government to engage in projects of economic cooperation. Both coefficients of the resource variables are positive. Neither of the coefficients is significant. Hypothesis H5 that Chinese cooperation targets at resource rich countries is not supported.

Turning to the control variables of the gravity model, a counterintuitive finding is the positive and significant coefficient of the distance variable. Despite its foreign

4.3. *With whom does China cooperate and what determines economic cooperation?*

policy agenda with its particular focus on regional integration, the further away a country, the more likely it will receive Chinese economic cooperation. This surprising finding is in line with similar results found by Dreher and Fuchs (2011) when examining the distribution of Chinese aid projects between 1990 and 1995. It suggests that the Chinese government, in contradiction to its low profile rhetoric, in fact does have aspirations to become a global player.

With respect to the remaining control variables, the negative sign of GDP indicates that poor countries have a higher likelihood to receive Chinese economic cooperation, and a country's income is a significant predictor of whether the Chinese government decides to allocate economic cooperation. This result is also consistent with earlier findings (Dreher and Fuchs 2011; Berthélemy 2009). However, this finding is not exactly what I expected in table 4.1. Assuming that the international status of a country is partly defined by its income, my expectation was that richer countries are more likely to become a target of Chinese economic cooperation. As a consequence, it would be counterproductive to the realization of China's foreign interests if the Chinese government avoided cooperating with these countries. Empirically, this argumentation is not supported.

Against the background of the theoretical argument, a reason for the finding that economic cooperation is targeted at poor countries could be that the Chinese government is expecting that it is comparatively easy to convince governments with few domestic resources to accept a policy deal. A government with higher domestic resources at its disposal should have a better bargaining position and therefore be able to demand more in return for compliance with Chinese interests.

The coefficient of population is positive in model 1 which indicates that big countries receive more economic cooperation, but it is not statistically significant.

In a second step, this baseline model was enlarged. In model 2, I added the three additional control variables introduced in section 4.1 to the model: military transfers from China, bilateral trade volumes and a country's dependence on other international donors. For reasons of collinearity, variable *military transfers* is dropped by Stata and cannot be estimated in this model. None of the remaining variables trade or OECD ODA is significant. The positive coefficient of trade indicates that countries with higher bilateral trade volumes with China are more likely to receive economic cooperation from China.

With respect to the dependence on Western donors, the coefficient of ODA from Western donors is negative. My theoretical expectation was that countries that are highly dependent on Western donors should be less targeted by the Chinese government. Assuming that high aid dependency implies that a country is more likely to be compliant with the donor's foreign policy objectives, the Chinese government should shy away from highly aid dependent countries. These countries are difficult to 'win over' for a newly emerging donor such as China. The empirical evidence suggests that this argumentation does hold.

When trade and aid dependence are added to the model, the effect of the distance variable loses its significance.

In a next step, I relaxed the assumption that non-compliance is punished with zero cooperation. Instead the dependent variable cooperation was recoded so that also very low amounts of cooperation were treated as zero.

The underlying idea to introduce an alternative threshold for non-cooperation other than zero is that non-compliance could also be punished with very low amounts of cooperation rather than the complete withdrawal of cooperation. First of all, it is plausible to assume that complete withdrawal is considered to be counterproductive to the achievement of Chinese objectives. But keeping cooperation on a very low level, so as to 'safe face' seems a viable alternative. Second, noise in the dependent variable could produce such an effect. Recall that the data also comprises projects financed by third parties or the construction of Chinese diplomatic facilities abroad. Both could lead the Chinese statistic to show activities in a country in which the Chinese government has decided not to allocate projects of economic cooperation anymore. I assume that when the Chinese government is in fact not willing to cooperate with a country, but wants to 'safe face', the volume of economic cooperation provided is small enough to be meaningless relative to the country's own resources. Therefore, a threshold relative to a country's GDP was chosen. Accordingly, in models 3 and 4 (fourth and fifth columns in table 4.3), the dependent variable is coded zero when Chinese economic cooperation does not exceed the threshold of 0.01% of the recipient's GDP. This threshold is considerably lower than the medium (0.4% of GDP) or median (0.1% of GDP) amount in the sample, so it can be considered a conservative threshold. Accordingly, 25% of the observations are coded zero (against 8% when only 'true zeros' are counted).

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In terms of results, this model 3 with the modified dependent variable delivers quite interesting results. More specifically, the results differ from those of the previous models in the following respects:

First of all, when the assumptions of what defines intentional allocation decisions are relaxed, the coefficient of the autocracy dummy becomes significant. Autocratic countries are more often the target of those Chinese cooperation projects that have a substantive weight relative to a country's overall resources. In line with my prediction that autocracies are more likely to become partners for cooperation, the Chinese government seems to specifically select autocracies to distribute economic cooperation. Assuming that economic cooperation is only meaningful when its volume exceeds a certain threshold, this finding supports hypothesis H2 that autocracies are preferred targets for cooperation from China.

While the results of model 3 are very similar to the baseline model 1, the coefficient of the mineral wealth index now turns negative. The negative coefficient of the minerals index indicates that countries which received economic cooperation projects were actually less rich in minerals or, to be more precisely, countries that received economic cooperation were less active in mineral production. Recall that the minerals index was composed of data on minerals production. This factor could drive this finding, because a time lag is expected before one can observe a correlation between economic cooperation and mineral production.

Also, two of the control variables yield different results: The coefficients of the distance variable and of population which were positive in model 1 now become negative. Different from model 1, distance is not statistically significant anymore, but population (which was not significant in model 1) becomes significant. This finding suggests that countries in China's regional vicinity and small countries are more likely to receive projects of economic cooperation. While the former is now in line with my theoretical expectation, the small country bias is not. However, measuring Chinese engagement differently, Dreher and Fuchs (2011) also found a small country bias in China's allocation of aid projects.

Finally, I added the three additional control variables, bilateral trade volumes, military transfers and dependence on aid from Western donors to this model with the modified dependent variable. Most surprisingly, it can be seen in model 4 (fifth column in table 4.3) that higher military transfers are correlated with the alloca-

tion of economic cooperation projects. The coefficient of military transfers was positive and significant. When countries receive military assistance, the chance is significantly increased that they will receive economic cooperation too. A possible explanation for this finding could be that economic cooperation from China enables governments to purchase military equipment, because it frees resources that would otherwise have been spent differently.

Whether a country is selected as a cooperation partner is not dependent on its trade relations with China. The coefficient of the trade variable was positive, but insignificant. And, in contrast to my theoretical expectations, the Chinese decision to allocate economic cooperation is not determined by whether a country has close linkages to Western donors in terms of aid flows which is also reflected in the coefficient of the aid dependency variable that is very close to zero.

Finally, I checked the robustness of my findings by using a different measure to define whether a country is autocratic or not. In the models in table 4.4, the autocracy dummy was replaced with Bueno de Mesquita et al. (2003)'s alternative measure of political regime type W and the size of the selectorate S .¹⁵ As can be seen in model 5, the coefficient of W is negative, but just as in the baseline model 1 in 4.3, the coefficient is not significant. The negative sign is in line with my theoretical prediction, because more autocratic countries have lower values in this indicator W . So, the coefficient suggests that smaller winning coalitions are more likely to be among the recipients of Chinese economic cooperation. However, when the threshold of what was considered to be no economic cooperation was lifted to above 0.01% of GDP, this coefficient turned to become statistically significant only when all control variables were added (model 8).

While the results of the remaining variables in the models 5 to 8 in table 4.4 were relatively similar to the previous models in table 4.3, there are two noteworthy differences. In model 5, the coefficient of population was positive and significant and the level of development in terms of GDP was insignificant. More interestingly, in the fully specified model 8, the negative coefficient of the minerals index is significant. This indicates that countries with fewer mineral resource production were actually less likely to be among the recipients for economic cooperation. Also, the negative coefficient of the distance variable becomes significant with

¹⁵In model 5 and 6, size of the selectorate S was dropped because of collinearity.

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Table 4.4.: Probit regression of whether China provides economic cooperation to non-OECD countries

	(5)	(6)	(7)	(8)
	Economic cooperation Coop. > 0		Economic cooperation Coop. > 0.01 % GDP	
Winning size	-0.137 (0.576)	-0.179 (0.559)	-0.677 (0.490)	-0.914* (0.506)
Selectorate size			-0.094 (0.464)	0.170 (0.412)
Dummy for dipl. rel. Taiwan	-1.140*** (0.305)	-1.096*** (0.294)	-1.026*** (0.328)	-0.970*** (0.353)
UN voting with China in %	0.004 (0.006)	0.005 (0.006)	0.008 (0.006)	0.007 (0.006)
Proven oil reserves in billion barrels (ln)	0.022 (0.033)	0.018 (0.036)	0.008 (0.022)	0.008 (0.022)
Mineral wealth index	2.356 (1.543)	1.676 (1.306)	-0.648 (0.453)	-0.753* (0.442)
Distance in km (ln)	0.591** (0.276)	0.302 (0.257)	-0.182 (0.210)	-0.306* (0.180)
Population (ln)	0.269** (0.115)	0.172 (0.118)	-0.048 (0.101)	-0.096 (0.109)
GDP/c t-1 (ln)	-0.200 (0.145)	-0.297 (0.183)	-0.459*** (0.129)	-0.457*** (0.156)
Military transfers (ln)				0.035* (0.020)
Bilateral trade (ln)		0.024 (0.034)		0.040 (0.031)
ODA % of GDP		-0.031 (0.053)		0.035 (0.075)
Constant	-5.822 (3.832)	-0.853 (3.673)	7.310** (3.000)	8.934*** (2.839)
Observations	940	830	1023	973
Year dummies	Yes	Yes	Yes	Yes

Standard errors in parentheses

* p<.1, ** p<.05, *** p<.01

Robust standard errors clustered by country

closer countries being more likely to receive economic cooperation. Recall that the variable for winning size W was only available until 2006. Therefore, the regressions in table 4.4 can only cover a shorter period in time. Given this, it is difficult to judge what could explain these results. They could well be driven by the shorter time frame or the slightly different sample.

To summarize the result of this first probit regression, I find that there is empirical evidence for hypothesis H2 that the Chinese government prefers autocracies over democracies when it decides where to engage in projects of economic cooperation. However, this finding is sensitive to the operationalization and specification of the model. It holds only when a certain threshold is introduced to define meaningful economic cooperation as opposed to any economic cooperation.

Second, a robust finding is that the decision of whether a government receives Chinese economic cooperation is taken on the basis of whether a government adheres to China's key foreign policy interests. Hypothesis H3 is clearly supported.

Third, hypothesis H5 that the allocation of cooperation is driven by a country's resource endowment is thus far not supported. There is even some empirical evidence suggesting to reject this hypothesis.

Fourth, with respect to the control variables, poorer countries are more likely to receive economic cooperation. Whether and how population size and distance affects the allocation decision does not become entirely clear from these first probit regressions, but small and close countries appear to be more targeted and a correlation with military transfers seems to exist when meaningful cooperation is allocated.

It becomes clear that there are a number of inconsistencies in these first findings. Further investigation of China's economic cooperation is needed. In the following, I complement my first analysis with a second approach that shifts the attention from the selection of cooperation partners to the allocation of Chinese economic cooperation. Keeping my first findings in mind, I now turn to the second question, what determines how much economic cooperation a government receives? Recall the prediction for this regression was that all else equal, autocracies should receive less economic cooperation from China (H4) and countries with natural resources should receive more economic cooperation (H5). Recall also that the empirical test of this hypothesis is as much theory testing as exploring the determinants of

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China external behavior.

Therefore, in an explorative attempt, I used a simple cross-country design and a tobit model to estimate the effects of the independent variables on the amount of Chinese economic cooperation. Using exactly the same independent variables as before, I ran regressions for each year separately. Thus, I ran eleven regressions, then I repeated the same procedure and ran a second series of regressions, but exchanged the autocracy variable with the size of winning coalition W and the size of the selectorate S . Then I graphed the coefficients and their confidence intervals over time for all of the regressions.

This procedure, simple as it is, allows detecting variations in the strength of specific coefficients over time which is helpful given the introduction of the Chinese 'go out' policy during the period of observation. The results of this procedure are graphed in figure 4.2 and 4.3. The graphs in figure 4.2 and figure 4.3 show the point estimates (the regression coefficients) illustrated as dots and the respective 90% and 95% confidence intervals (illustrated as vertical lines in thick and thin) for each variable. When the vertical lines - that is the confidence intervals do not comprise the value of zero - coefficients are considered significant at the 10% and the 5% level. The Y-axis displays the value of the coefficients, the X-axis indicates the respective year.

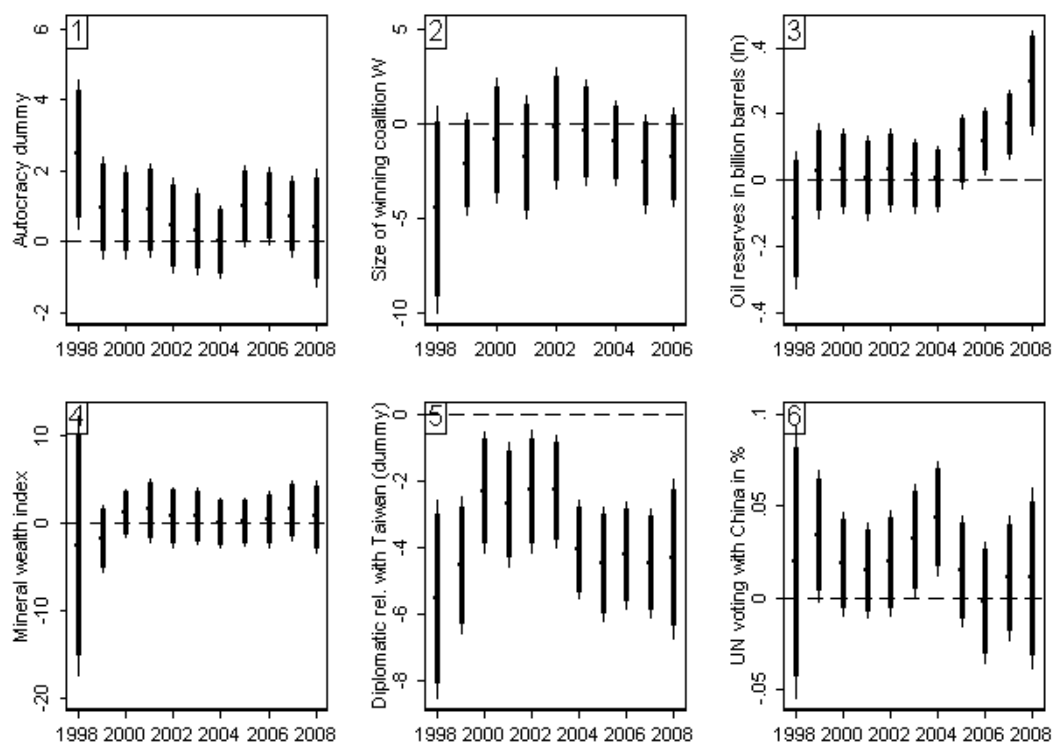
It becomes clear by eyeballing that for many variables the strength of their effect varies over time, so their impact on the amount of Chinese economic cooperation is not constant over time, and some determinants have been decisive only in specific years. Also, problems in the data which I have described earlier become apparent. In 1998, the year with the most prevailing missing data, the graphed confidence intervals are considerably larger. Therefore, I interpret the results of the year 1998 with caution.¹⁶

Again I begin with the question whether or not the Chinese government prefers cooperation with dictators. Do autocrats receive less economic cooperation from China than democrats as was stated in hypothesis H4? Examining the first graph that shows the coefficients of the autocracy dummy, it can be seen that the point

¹⁶In comparison to the estimation results in the appendix B.3, where missing values in the dependent variable economic cooperation were not replaced by imputation, but recoded as zeros, the procedure of imputing considerably decreased the volatility and the uncertainty of the estimates.

4. The analysis of autocratic cooperation

Figure 4.2.: Coefficients and confidence intervals of the determinants of Chinese economic cooperation over time, 1998-2008 (1).



estimates all lie above the zero line. The coefficient is positive, indicating that autocracies received more economic cooperation during this period. In 1998, 2005 and 2006 this correlation was statistically significant at conventional significance levels. As indicated by the point estimate of around 1.8, in these years, countries that switched from democratic to autocratic regime type received on average around 1.8% more economic cooperation from China.

This finding is robust when autocracy is replaced in the regression with the size of the winning coalition W . As becomes evident in graph 2, the coefficient of winning coalition size W turns negative, indicating that smaller coalition systems receive more economic cooperation.¹⁷ It follows a downward trend over time, and in the later years, in 2005 and 2006, the same years in which autocracy seemed

¹⁷This graph is taken from the second series of regressions. All other graphs are taken from the first series.

4.3. *With whom does China cooperate and what determines economic cooperation?*

to play a determinant role this indicator is almost statistically significant. This finding suggests that regime type has gained in importance over the years and that in recent times autocratic regimes received more economic cooperation than their democratic fellows. Though consistent over both measures of regime type, this result contradicts my theoretical expectation. According to hypothesis H4, I expected that autocrats receive fewer transfers, because all else equal it should be easier to convince autocratic leaders to respond to external interests. Hypothesis H4 that autocracies should receive less economic cooperation is rejected.

Graph 3 delivers a very interesting picture of how the impact of oil resources has developed over time. Until 2005, a country's oil reserves did not play a particular role in the allocation of economic cooperation. The coefficient itself was close to zero - with the exception of the year 1998, in which it was actually even negative and oil resources reduced the amount of economic cooperation a country would receive. But from 2001 onwards, the role of oil has increased constantly and after 2005, a country's oil resources have become a significant determinant of Chinese economic cooperation. According to the coefficient of around 2.5 in 2008, a 10% increase in oil reserves increased economic cooperation from China by approximately 2.5%. This finding is in line with my theoretical expectation that resource endowment increases the transfers a country receives. However, when resource endowment is measured in terms of mineral wealth, the picture is mixed as graph 4 shows: The mineral wealth of a country is not decisive. The coefficient has been relatively stable around zero.

To sum up, in recent years Chinese economic cooperation has increased according to the oil wealth of a country, while it was neutral with respect to mineral wealth. So, hypothesis H5 that resource-rich countries receive more economic cooperation is supported for recent years, but only with respect to a country's oil reserves and not with respect to its mineral wealth.

Hypothesis H3 that compliance with Chinese interests is rewarded by Chinese economic cooperation was tested by the inclusion of the dummy for diplomatic relations with Taiwan and a countries' voting behavior in the *UN*. As illustrated in graph 5, diplomatic relations certainly have the clearest impact on the amount of Chinese economic cooperation a country receives. The dummy is negative and significant throughout the whole period even though the strength of the effect

varied somewhat. In 1998, for example, a government that switched its diplomatic relations from the *PRC* to Taiwan, saw economic cooperation decreasing by more than 5%, while in 2003 the same behavior was sanctioned with a reduction of only roughly 3% of economic cooperation from China.

The effect of the other compliant variable, a county's voting behavior in the *UN* is less strong and was a significant determinant only in specific years (2003 and 2004) where voting in line with China in an additional 1% of voting situations in the *UN* General Assembly resulted in higher economic cooperation by China by less than 0.1%. Both measures of compliance - diplomatic relations with Taiwan and *UN* voting - support, albeit to varying degrees, the theoretical prediction of hypothesis H3 that compliance with Chinese interests is rewarded by higher transfers of resources.

Finally, the model contains a number of control variables, such as trade relations or arms trade more specifically, the size of a country in terms of population, its economic development and distance to Beijing. The coefficients of these variables are displayed in figure 4.3.

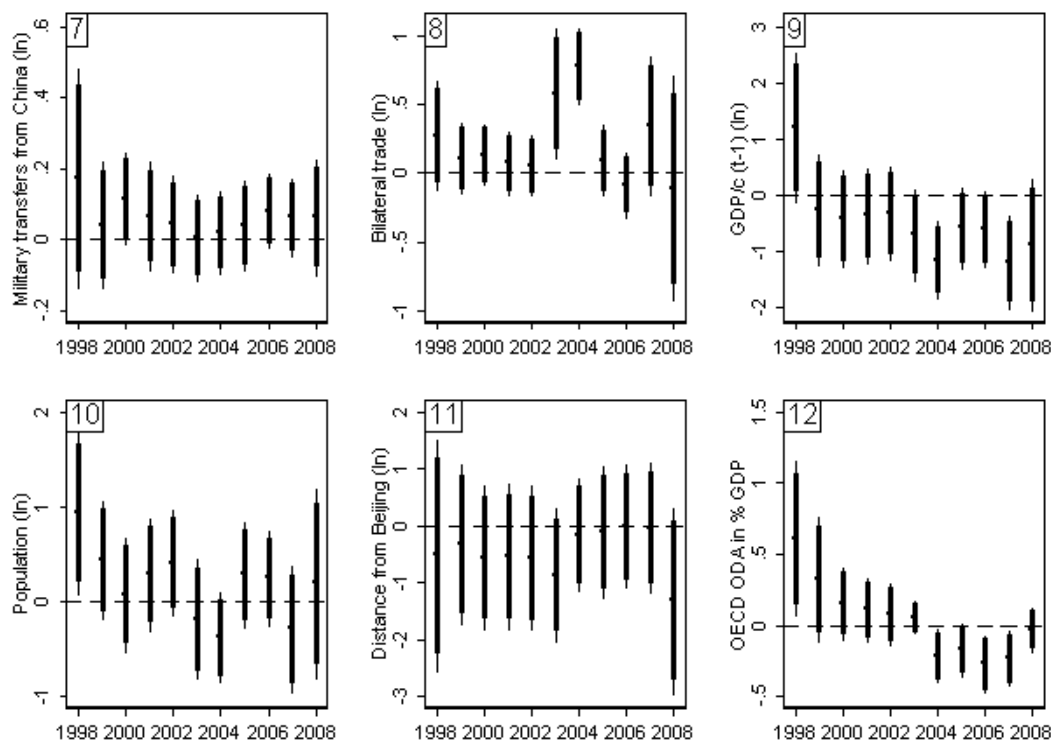
I tested whether China is especially active in countries that purchase Chinese weapons (graph 7). But that was only the case in 2000. The coefficient of military transfers was almost always close to zero, but in this year, a 10% increase in military transfers from China to a country was accompanied by on average 1% higher flows of economic cooperation.

Somewhat surprising, graph 8 shows that the effect of bilateral trade relations is relatively volatile. Overall, countries that trade more with China receive more economic cooperation on average. In 2003 and 2004, this effect was statistically significant even though the effect was not very strong. An increase in bilateral trade volumes of 10% was reflected in an increase of Chinese economic cooperation by less than 1%.

Also somewhat unexpected, the level of development is a relatively strong, but not very stable predictor for the amount of Chinese economic cooperation (graph 9). According to the overall trend, less developed countries receive more economic cooperation, but only in 2003, 2004, 2006, and 2007 this effect was statistically significant. An increase in GDP per capita of 10% resulted in 2004 in a reduction of China's engagement by approximately 10%. This finding suggests that the

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Figure 4.3.: Coefficients and confidence intervals of the determinants of Chinese economic cooperation over time, 1998-2008 (2).



allocation of economic cooperation is oriented towards the needy. This is in contradiction with the theoretical argument as far as the theory would rather suggest that the higher the development level or the bigger a country's own resources, the more 'expensive' it gets to make it comply with external interests and the more it can demand in exchange for compliance.

As can be seen in graph 10, the effect of population size was mixed throughout the decade, with sometimes a negative, and sometimes a positive impact. Only in 1998 significantly more economic cooperation was allocated to bigger countries.

Moreover, graph 11 indicates that the regional focus of the Chinese government of where to allocate its economic cooperation was relatively stable oriented towards its neighbors. Interestingly, in 2008 this became particularly strong. However, the coefficient was never significant.

Finally, from graph 12 it becomes evident, that in earlier years, Chinese economic cooperation was allocated to countries that were targets of Western development assistance. From 2004 onwards, however, countries with lower aid dependence on the West received more economic cooperation. In the mid 2000s, aid dependence significantly influenced the allocation decision. This finding suggests that while Chinese cooperation competed with Western influence in earlier years, a new strategy was established from the mid 2000s onwards. Instead of competing with Western donors, cooperation was now focused on countries where Western influence was low and Western donors were less influential.

4.4. Discussion of findings

In this chapter, I explored the determinants of China's economic cooperation and tested several of my hypotheses. To conclude this investigation, I summarize the findings from both regression analyses, discuss the results in the light of my theoretical predictions and conclude what can be learned from the investigation about China's engagement more generally.

Let me start with the most robust relationship which I detected between compliance with Chinese foreign policy objectives and economic cooperation. Among the most important determinants for economic cooperation is a country's relation to Taiwan. Countries that do not acknowledge Taiwan diplomatically are more likely to receive economic cooperation from China and the volume received also tends to be higher. There seems to be a political conditionality of adherence to the 'one China' policy which is reflected in the allocation of economic cooperation. However, non-compliance with this requirement does not necessarily lead to complete withdrawal of Chinese economic cooperation. The Chinese strategy has been to maintain cooperation at very low levels rather than cutting ties completely if a country does not fully respond to Chinese interests.

Overall, this empirical evidence is in line with the theoretical prediction of hypothesis H3. Cooperation is given in reward for compliance. The effect of other forms of compliance, such as voting behavior in the UN, was also consistent with this prediction, even though it was found to be less strong. Voting in line with China in the UN slightly increased the volume of economic cooperation projects in

specific years, but did not impact on the chance to receive economic cooperation.

Furthermore, both types of regression analysis revealed a relation between regime type and economic cooperation. Acknowledging that cooperation is meaningful only when it exceeds a certain threshold, autocracies are more likely to be addressed by Chinese economic cooperation. Moreover, the empirical evidence suggests that regime type has become more important over time. Autocracies received significantly higher amounts of economic cooperation in recent years. This finding supports the theoretical prediction stated in hypothesis H2 that autocracies should be a preferred partner for cooperation.

With respect to hypothesis H4 that fewer transfers of resources go to autocracies, the conclusion is less clear. Obviously, H4 is rejected, because autocracies received more rather than less economic cooperation. The possible implications that follow from this rejection of H4, however, could point in two different directions.

On the one hand, the finding that autocracies receive more transfers could be driven by the measurement of Chinese cooperation. Variable economic cooperation may simply not capture what it was supposed to measure. Given the composition of this variable which comprises projects financed by the Chinese government as well as commercial investments, it is quite possible that this data is less a measurement of ‘transfers’ between two governments that it was thought to be than of commercially driven investment projects.

If this is the case, the fact that autocracies received more economic cooperation would indicate that it is easier for Chinese investors to make arrangements in autocracies than in democracies. If Chinese investments and economic cooperation is allocated to autocracies because there are fewer administrative regulations, environmental standards or time-consuming participatory processes in autocracies than in democracies, Chinese companies benefit from the fact that arrangements are made in a more discretionary way in autocratically governed countries. As a consequence, even though rejecting one specific hypothesis, the empirical finding would still support the overall argument that autocracies are easier to be influenced and exploited from outside.

However, interpreted differently, the rejection of H1 could also point at a weakness in the overall argument. If the finding was not driven because of measurement issues, but because it is more difficult to convince autocratic leaders to comply with

external interests, then a core assumption of the theoretical argument was challenged. In this sense, the rejection of H4 raises the question whether autocracies are indeed easier to exploit than democracies as was assumed in hypothesis H1. Clearly, this is a valid objection which needs more attention. I will dedicate the case studies in the later parts of this thesis to qualitatively investigate this question in more detail.

As to hypothesis H5, the allocation of Chinese economic cooperation seems to be less guided by resource endowment than expected. The theoretical prediction of hypothesis H5 that economic cooperation follows natural resources is only partly supported. It depends on the type of natural resources and on the time frame. The decision whether to cooperate or not is not primarily guided by the resource endowment of a country. Chinese economic cooperation is given to a wide range of countries that are not necessarily attractive in terms of their natural resource endowment. However, the importance of resources has clearly increased over time. In recent years, countries that do have oil reserves have received systematically more economic cooperation than others.

With respect to the other determinants, a country's economic development seems to be the strongest and most stable predictor with poor countries being more likely to be addressed by Chinese economic cooperation projects and also to receive higher volumes on average. So, Chinese economic cooperation seems to be oriented along the needs of the recipients rather than being oriented solely along the interests of the Chinese government.

Furthermore, the impact of military transfers and trade more generally on the allocation of economic cooperation is mixed. It has influenced the allocation decision only occasionally while classical determinants such as distance and population play a much less prominent and less distinct role than one would naturally assume. More precisely, smaller countries are more likely to become recipients of projects of economic cooperation of meaningful size. However, population size does not seem to systematically determine the size of economic cooperation projects.

Overall, the previous exploration of the data delivers some useful insights as to the determinants of the provision of China's economic cooperation. Most remarkably, I found only few clear and stable predictors for the provision of Chinese economic cooperation that hold throughout the entire period. Some patterns in

the data also pointed to the need for more investigation in the data collection and for improvements in data quality.

5. The analysis of autocratic survival

In this chapter, I will assess the impact of China's rise on the longevity of autocratic regimes. Hypothesis H6 stated that cooperation with China is expected to increase autocratic survival. By the means of a survival analysis covering all non-democratic countries, I will test this claim in a quantitative analysis for the post-Cold War period.

The remainder of this chapter is structured as follows. Section 5.1 begins with defining what is understood by autocratic survival and how this concept can be measured. It then explains how Chinese cooperation can be measured and presents a number of alternative determinants for autocratic longevity which will be included in the model as control variables.

In section 5.2, I describe the data and in section 5.3 I explain the estimation procedure. The actual analysis and their results are presented in section 5.4 along with a number of robustness tests. I conclude this chapter with a discussion of the findings in section 5.5.

5.1. Concept specification and operationalization

Autocratic survival

Since H6 makes a proposition on China's impact on the survival of other autocrats, it is crucial to define what is understood by autocratic survival. First of all, I define the term 'survival' as a yes or no answer to the question whether an autocrat stays in power from one year to the next. That is, whether he remains in power or not. When an autocrat remains in power, he 'survives'; when he is removed from

power, he ‘falls’ or ‘fails’.

But what precisely is meant by ‘autocratic survival’ is a more difficult concept to address in a clear-cut manner. Does it denote the survival of an individual or the survival of a regime? To find an appropriate operationalization, it is helpful to consider how others who worked on similar questions have proceeded. In principal, three ways of operationalization have been suggested: 1) a more structural; 2) a more actor-centred; and 3) a coalition-centred one.

The structural perspective measures regime durability indirectly through regime change. In its measurement of regime change it is most often based on the Polity index (Smith 2004; Morrison 2009; Ulfelder 2007; Gandhi 2008). This structural operationalization is relatively crude, because only when heavy institutional changes occur during a short period of time this is perceived as regime change and as a regime failure respectively.¹ But when the institutions of a country change gradually over a longer period from autocratic to democratic or the other way round, this is not captured. As a consequence, this measure is not sensitive for slower, incremental changes in regimes.

The actor-centred perspective, in contrast, is based on change in governments or leaders and perceives individual leaders to ‘fail’ whenever they are removed from office and to survive otherwise (Przeworski et al. 2000; Bueno de Mesquita et al. 2003; Goemans et al. 2009; Cheibub et al. 2010; Mesquita and Smith 2010). But just as the structural approach might underestimate the incident of autocratic fall by overlooking regime changes which are not quick enough or do not affect existent institutions strong enough, looking at actor-centred leadership changes also encompasses the potential of a bias. This is because individual leadership turnover may denote the fall of a specific dictator, but it does not necessarily indicate the collapse of a specific dictatorship or regime. In monarchies, for example, where the succession is determined by heredity, leadership succession after the monarch dies does not implicate that the dictatorship as such has failed.

¹This refers to a operationalization on the base of Polity IV’s durable variable which counts the age of a regime and is coded ‘0’ whenever regime change occurs (Marshall and Jaggers 2008). Regime change is defined by a three point change in the *polity* score over a period of three years or less or the end of a transition period defined by the lack of stable political institutions (denoted by a standardized authority score). Regime failure can then easily be coded ‘1’ for each year subsequent to a year in which a regime change occurred.

Moreover, a number of non-monarchic dictatorships, for example in China or Mexico during the Cold War, have developed considerable routine with respect to leadership transition and have therefore dramatically increased the frequency of leadership turnovers without substantial changes to the regimes governing these countries. For this reason, it is actually an indication for the durability of a regime - especially in autocracies - when leadership transitions are both smooth and frequent. For example, the timing for leadership turnover in China has become scheduled by internal rules such as age restrictions.² These have led to shorter tenures for the party leaders and more frequent leadership turnovers to party-bred successors. With the next leadership turnover to be expected in 2012, the tenures of Hu Jintao and Jiang Zemin, the fourth and third leadership generations in China, have been limited to two five-years terms against 16 years of rule under Deng Xiaoping and 27 years of dictatorship under Mao Zedong. However, these leadership turnovers are far from indicating the collapse of the party's rule. Hence, it would be misleading to conclude that the increased frequency of transition of power from one leadership generation to the next is a sign of weak durability of the *CCP*'s rule. As a result of this, unless a good instrument to account for the degree of institutionalization is found, using the turnover of leaders as such to measure autocratic durability is questionable.³

The third approach, the coalition-centred approach is a novelty. It builds on leader-based data, but tries to correct for the above mentioned shortcomings by identifying whether a leader belongs to the ruling coalition when coming to power or not, thus whether he is politically affiliated with the previous leaders or not (Svolik 2010). This approach tries to account for the effect of autocratic institutions which are likely to influence the survival of individual autocratic leaders and therefore might bias the findings. However, a final inaccuracy in measurement

²Another classical example of internally regulated leadership turnover is Mexico, where an autocratic regime endured from the 1940s until the 1990s. Here, a core element of the highly institutionalized authoritarian regime consisted in a succession mechanism, which restricted the president's time in power to one electoral cycle of 6 years. At the end of each cycle, the president had the privilege to nominate his successor, an arrangement which gave continuity to the regime (Faust 2007b, 322).

³Another objection is that theoretically, regime transitions do not need to involve leadership turnover, but could occur during the incumbency of one leader. Przeworski et al. (2000) for example observed in total fifty-four regime changes (in 141 countries) under one incumbent in the period from 1950-1990.

remains, in cases when leaders from the same political affiliation compete over power or when leader change happens unconstitutionally.

As has been mentioned in 4.1, I use Svobik (2010)'s dataset on power and institutions in autocracies to test whether China is a cause of autocratic longevity. Based on Przeworski et al.'s collection of individual leaders' entries to and exits from power, this data set also contains information on the political affiliation of leaders in autocratic countries. Therefore, it gives me the possibility to investigate both the survival of individual leaders in power and the duration of authoritarian ruling coalitions. Variable *leaderfall* is coded '1' whenever a leader change occurs in the following year. Following Svobik, I consider an autocratic coalition to fail whenever a leader coming to power is unrelated to the government, a government party, the royal or ruling family, or a military junta under the previous authoritarian leader. Variable *coalitionfall* is coded '1' when both a leader change occurs and Svobik's political affiliation variable indicates that the new leader has no political affiliation to the previous regime. If one of the conditions does not hold *coalitionfall* is coded '0'.

Independent and control variables

Having discussed the dependent variable autocratic survival, I will now turn to the presentation of the independent and control variables. Most importantly, I will present three alternative measures of Chinese cooperation. In addition to that, a number of variables will be presented which have been discussed in the literature as being determinants for autocratic durability. They are therefore included in the model to account for potential alternative explanations of autocratic survival.

Autocratic cooperation: Hypothesis H6 expects that cooperation with China increases the survival propensity of autocrats. This claim will be tested for three cooperation variables. The determinant of interest is the intensity of bilateral cooperation with China with respect to the following three variables.

1. Economic cooperation: The economic cooperation variable from section 4.1 is transformed to a relative measure. It will be included in the analysis as *economic cooperation in % of GDP*.⁴

⁴The formula of transformation was: (economic cooperation/GDP)*100

2. Trade: Bilateral trade with China is measured as percentage of a country's total trade (*trade % of total trade*).⁵
3. Diplomacy: 'Prestige diplomacy' makes a substantial contribution to China's foreign policy. My variable *diplomacy* measures this diplomatic linkage. It is a categorical variable indicating the frequency of high level visits between China and a given country. I compiled this variable from the '*China aktuell*' monthly Data supplement⁶ which, based on several Chinese newspapers, enlists all Chinese agreements with foreign countries and thereby also gives detailed information on the statesmen signing or announcing these agreements.⁷ The diplomacy variable was normalized to range from 0 to 1 by subtracting the minimum value and then dividing by the maximum value.

Moreover, a number of alternative explanations for regime stability have been identified in the literature. In order to control for these potential explanations, I incorporate several control variables on which I will elaborate in the following and which are summarized in table 5.1. All data sources are listed in appendix A.

Economic development and wealth: The correlation between regime type and economic development is one of the most robust ones that has been found in literature on democratization (Barro 1999; Boix and Stokes 2003). The natural logarithm of GDP per capita lagged by one period is included as a control variable ($GDP/c_{t-1}(\ln)$). This variable is taken from the Penn World Table (Heston et al. 2011).

Economic growth: According to the selectorate theory, the continuous inflow of resources for redistribution among the coalition members is of utmost importance. This relationship has also empirically been shown by earlier research

⁵Trade shares have been calculated as: (bilateral trade/total trade)*100

⁶See Liu (1994) and in later years.

⁷Since the source explicitly refers to accomplished agreements there is a risk of underreporting bilateral visits without any agreements. However, to the extent that China's prestige diplomacy strategically announces bilateral agreements during high level visits even when the documents have been signed long beforehand, this bias should be small. Bilateral agreements as such would be a compelling indicator, but the data source does not allow for a differentiation between different types of agreements and their varying legal implications.

which indicated that the likelihood to survive economic crises differs among different regime types (Przeworski and Limongi 1997). Economic growth must thus be considered as a determinant for autocratic survival. Economic growth, measured as GDP growth lagged by one period accounts for this ($GDP\ growth_{t-1}$).⁸

Non-tax revenues: Several studies have examined the impact of resource abundance on regime type, and regime stability more specifically. The finding was that oil or other non-tax revenues increase survival expectancies of a government (Ross 2001; Smith 2004; Morrison 2009; Mesquita and Smith 2010). To control for this phenomenon, I include two alternative measures of non-tax revenues besides economic cooperation from China: *oil revenue (% GDP)* and *ODA (% GDP)*. Both variables measure resource income as a percentage of GDP. *Oil revenue* is taken from Ross (2008), but unfortunately contains data up to 2006 only.⁹

OECD ODA was taken from the OECD DAC database (Organisation for Economic Co-operation and Development 2010). Because this database contains only those countries which receive development assistance, missing values for all other countries were replaced by zero.¹⁰

Autocratic fall in the region: Diffusion theory has stressed the spatial dependence of autocratic collapse and democratization. Countries are more likely to experience regime change when neighboring countries undergo regime transformation as well (Gleditsch and Ward 2006; Brinks and Coppedge 2006; Simmons and Elkins 2004; Levitsky and Way 2005; Leeson and Dean 2009). I account for this correlation by including a variable that measures how many of a country's neighbors experience autocratic collapse in a given year. Variable *autocratic fall in the region* expresses the number of autocratic falls as relative to a country's total neighbors. In order to identify a country's neighbors, I used the direct contiguity data (Correlates of War

⁸Growth was calculated according to the following formula: $GDP_t - GDP_{t-1} / GDP_{t-1} * 100$

⁹Ross' *oil rents* variable was transformed according to the following formula: $(oil\ rents / GDP) * 100$

¹⁰ODA as set in relation to GDP according to the following formula: $ODA / GDP * 100$

Project 2007).

Social interaction: Several variables that are connected to social interaction and collective action have been discussed in the past as determinants for the stability of political regimes. It has been reasoned that rapid urbanization rates destabilize political regimes (Huntington 1968). Urbanization is often driven by precarious living conditions in the countryside which stimulate rural dwellers to search for a better living in the cities. However, when it happens quickly, urban areas become a catchment basin for the desperate often finding themselves even deeper in poverty than before. This happens for instance when the number of often poorly educated newcomers pouring into the cities is higher than what the urban labor market can absorb. Such situations create a potential for urban mass protests.

Another plausible reason for urban protests challenging the regime could be that people living closer together are better able to organize which also explains why political actors tend to be more responsive to the vested interests of the urban middle classes at the cost of the development of the overall country and the rural population (Lipton 1977). Closely connected to the former argument, this would suggest that it is population density rather than urbanization which is crucial. However, more scattered populations are also more difficult to control, as are populations that are great in number (Fearon and Laitin 2003; Herbst 2000). Theoretically as well as empirically, there is evidence for and against the destabilizing mechanism of urbanization rates, population density and population size. Therefore, I take the natural logarithm of population density (*population density (ln)*), of population size *population (ln)* and the annual growth rate of population living in urban areas (*urban growth*) as reported by the World Bank (2010) and let the data speak.¹¹

Regime type: Researchers working on autocratic durability have argued that autocratic regimes vary in their ability to institutionalize internal interaction

¹¹Others even suggest to also include a country's area in km^2 , but I encounter massive problems of multi collinearity when doing so.

and to transfer power to the next leadership generation (Gandhi and Przeworski 2006; Geddes 1999a; Hadenius 2007). This is the reason why different types of autocracies have been found to vary in their survival expectation (Gandhi and Przeworski 2006; Geddes 1999b). Therefore, it seems sensible to include a measure for regime type. Cheibub et al.'s *regime* variable which distinguishes between civilian dictatorship, military dictatorship and royal dictatorship (Cheibub et al. 2010) delivers a first starting point. A dummy for each of the categories was constructed. For reasons of collinearity, however, only one of which, *military dictatorship*, is introduced in the regression.

Time in office: It has been found, that freshly installed leaders are more prone to be overthrown and have thus a shorter survival expectation (Bueno de Mesquita et al. 2003). Time in office significantly increases the survival expectation of an autocrat. I account for this fact by including the durability of a ruling coalition as a control variable. Variable *age of coalition* (in years) is also used to construct cubic time splines which are needed for technical reasons as described in section 5.3.

Previous coalition durability: From a methodological perspective, it seems plausible to assume a certain path-dependency. The survival duration of a regime or leader might be affected by the survival duration of previous governments. I follow Beck et al. (1998) and include variable *previous failures* counting the number of previous failures under autocratic rule (Beck et al. 1998; Gleditsch 2008; Goemans et al. 2009).

Table 5.1 summarizes all independent and control variables and their expected effects on autocratic survival. Because survival expectations are expressed as the probability to fail, negative signs in the table indicate a reduction of the risk to fall, thus a stabilizing effect. According to my theoretical argument, all three cooperation variables should have a stabilizing impact on autocratic survival. Cooperation is expected to generate benefits which then can be redistributed among the dictator's winning coalition and thereby should enforce loyalty among the members of this group to the ruler.

All three variables connected to a government's income, GDP growth, oil revenue and OECD development aid should stabilize autocratic rule. The very same

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distributional mechanism as described above should come at work when income is generated through these sources.

Table 5.1.: Expected influence of the independent variables on the risk of failure of the ruling coalition or leader.

Concept	Variable	Expected effect
Cooperation	<i>Economic cooperation</i>	-
Cooperation	<i>Trade</i>	-
Cooperation	<i>Diplomacy</i>	-
Age of coalition/leader	<i>Age</i>	-
Previous stability	<i>Previous falls</i>	-
Economic development	<i>GDP/c (ln)</i>	-
Economic development	<i>GDP growth</i>	-
Socioeconomic factors	<i>Population (ln)</i>	+/-
Socioeconomic factors	<i>Population density</i>	+/-
Socioeconomic factors	<i>Urban growth</i>	+
Regime type	<i>Military</i>	+
Non-tax revenue	<i>OECD ODA</i>	-
Non-tax revenue	<i>Oil revenue</i>	-
Diffusion effects	<i>Coalition/leader fall in region</i>	+

Economic development is also expected to have a stabilizing effect on autocratic rule. This expectation may appear counterintuitive at the first sight, because of the correlation of development and democracy. However, I am not investigating whether it is more or less likely that an autocracy democratizes, but the likelihood that it remains under stable rule in more general. When comparing autocracies with low developed level and autocracies which have reached a high level of development, it clearly seems plausible to assume that leaders in autocracies with a highly developed economy should be more capable to remain in power. In light of earlier research that found military leaders to be more vulnerable to be overthrown, the military dummy should have a destabilizing effect on autocratic durability.

Urbanization should have a destabilizing effect on the longevity of autocracies. As has been discussed earlier, rapid urbanization increases the potential for mass protests that could challenge the regime. From a theoretical perspective it is not entirely clear in which direction the size of population and population density works and whether these variables have a destabilizing or rather stabilizing effect

on autocratic rule.

Also, the history of an autocracy should play a role. I expect that the experience of previous autocratic rulers matters. The higher the frequency of previous changes in leadership, the lower the chance of the present ruler to remain in power. Finally, autocrats are expected to be most vulnerable in their early years in power. Over the years, they are more successful in identifying the relevant members of their winning coalitions and can establishing efficient mechanisms to reward these members. When the welfare of these members is tied to the survival of the regime, an autocrat has successfully strengthened his position in power. Since all this takes time, the age of autocratic rule should stabilize autocracies.

5.2. Sample and descriptive statistics

In this section I describe my data and methodology before discussing the estimation results. I limit the description to the dependent and the most important independent variables: the cooperation variables. Descriptive statistics for all independent variables are shown in table 5.2.

The main interest in this part is to investigate how Chinese cooperation impacts on the survival of autocracies. The data of all survival regressions is time-series data with country years as the unit of observation and a binary dependent variable: autocratic survival or failure. For reasons of data availability with respect to the *economic cooperation* variable, the analysis of this form of cooperation can only cover the relatively short period from 1998 to 2008. However, studies on the survival of autocrats reveal that autocrats enjoy a relative long survival expectation, some even stayed in power for more than 44 years (Przeworski et al. 2000, p. 51). Given this finding and the need for a longer period of examination in order to increase variance on the dependent variable, a second regression for the whole post-Cold War period from 1990 onwards is run without the *economic cooperation* variable.

The sample comprises only autocracies as defined by the binary variable *autocracy* introduced in 4.1. Recall, this measure defined countries to be autocratic when they fail to meet either of the following two criteria: free and competitive legislative elections and an executive elected either directly in free and competi-

Table 5.2.: Summary statistics 1992-2008

Variable	Mean	Std. Dev.	Min.	Max.	N
Leader fall	0.09	0.28	0	1	1201
Age of leader in years	12.11	10.11	1	48	1201
Coalitionfall	0.02	0.14	0	1	1201
Age of coalition in years	23.53	16.28	1	63	1201
Chinese economic cooperation (% GDP)	0.5	0.93	0	10.12	684
Trade with China (% of total trade)	5.06	6.42	0	55.16	1115
No of diplomatic meetings	0.08	0.21	0	1	1201
GDP/c t-1 (ln)	7.94	1.32	5.05	11.72	1158
GDP growth (t-1)	2.75	10.15	-64.56	122.24	1149
Population (ln)	15.65	1.67	11.19	19.15	1170
OECD ODA (% GDP)	2.2	3.96	-0.4	54.93	1165
Population density (ln)	3.87	1.33	0.71	8.85	1183
Military dictatorship	0.3	0.46	0	1	1201
Urban growth	3.2	2.13	-2.45	20.01	1175
Oil revenue (% GDP)	9.39	28.24	0	370.17	1004

tive presidential elections or indirectly by a legislature in parliamentary systems. Periods of foreign occupation, civil war or the collapse of state authority are excluded from the sample.¹² Section C.1 in the appendix contains a complete list of the sample composition. This list also differentiates between the length of ruling coalitions and the survival duration of individual leaders.

A first glance at the raw data delivers the following picture: For each year in the post-Cold War period starting in 1992, there are between 62 and 81 countries in the sample.¹³ With the country year being the unit of observation there are 1201 observations in the sample for the whole period from 1992 onwards. For the period from 1997 onwards, during which data on China's economic cooperation is available, there are 754 observations in the sample.¹⁴ One dictatorship, North

¹²According to Svobik (2011a) they were excluded from the dataset on the base of the Polity IV (Marshall and Jaggers 2008) and the Correlates of War (Sarkees 2000) datasets in order to identify periods of foreign occupation, the collapse of state authority, and civil war.

¹³I define the Cold War period as ending with the collapse of the Soviet Union in 1991.

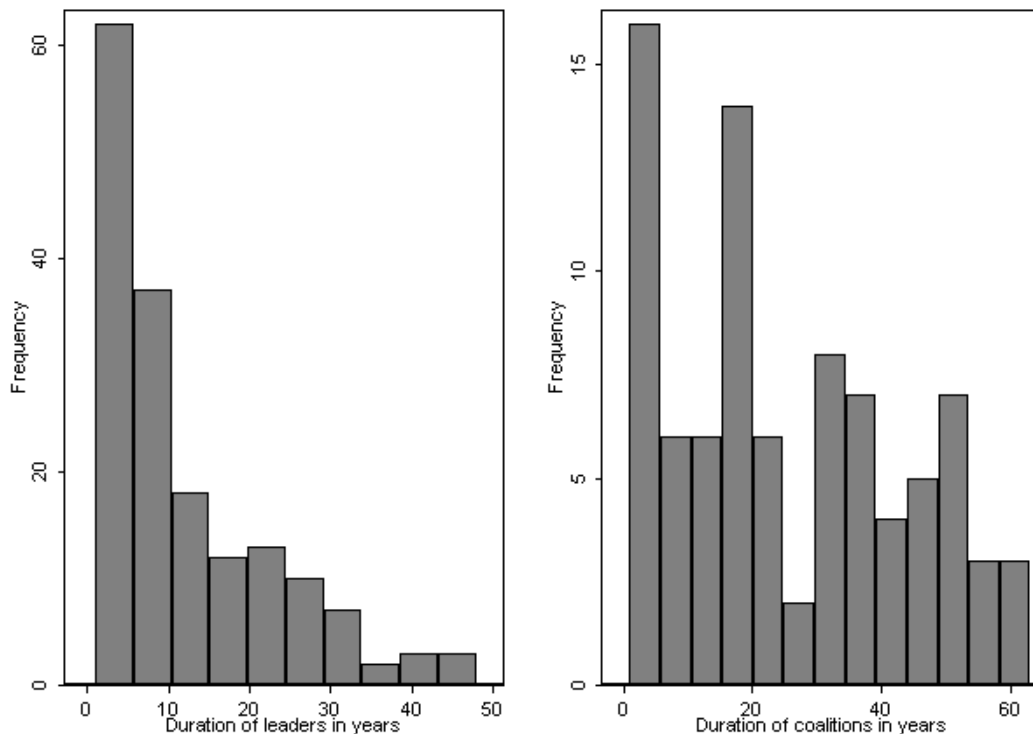
¹⁴Excluded from the original sample are the *PRC*, Taiwan, and Tuvalu. The latter is excluded because information on the political affiliation of the leaders is missing.

Korea, drops out because of missing data for almost all variables including the main variables economic cooperation and trade with China.

In terms of leader based data, the dictatorships in the sample were ruled by 167 different leaders. Of these 167 leaders, 105 failed and 62 remained in office until 2008. At the level of observation units - the country year - this failure rate corresponds to 9% of the observations. For the period from 1997 onwards, there were 134 different leaders in power and 72 of these leaders failed. This corresponds to a failure rate of 9.5%.

The post-Cold War period contains 87 different coalitions, 25 of which failed. For the shorter period from 1997 onwards, the number of coalitions is 79 with 17 failures. Again, 62 coalitions are censored, that is they continue to exist when the period of investigation ended in 2008. With only 2% the rate of coalition failure after the end of the Cold War is much lower than that of leader failure.

Figure 5.1.: Frequency and duration of coalitions and leaders, 1992-2008



But the failure of coalitions and leaders does not only differ in its frequency. It can also be observed that, on average, coalitions grow older than leaders before they collapse. As can be seen in figure 5.1, coalition duration in the sample ranges from 1 to 63 years, while the leader with the longest tenure remained in office less than 50 years. However, for both coalitions and leaders duration is skewed: almost 30% of coalitions are 10 years or younger, in the group of leaders less than 50% reach the age of 10 years. Given this age distribution, it comes as no surprise that the bulk of failures happens in the early years: Half of those coalitions and leaders that collapsed, did so before they reached their sixth year.

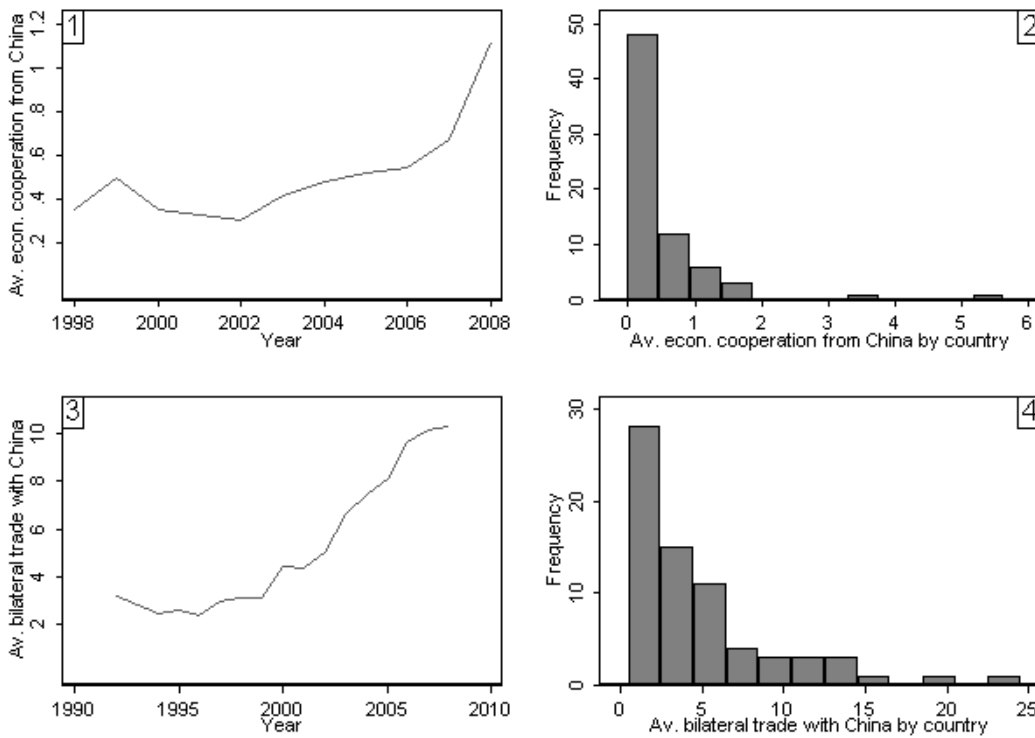
In addition to table 5.2, figure 5.2 gives an impression on how economic cooperation from China and trade with China have developed during the post-Cold War period and how economic cooperation and trade is distributed over the sample. Note that the graphs were produced on the base of average values over time and over the countries in the sample. This explains the divergence between the absolute maximum and minimum values in table 5.2. As can be seen in graph 1 and 2, China's economic cooperation as share of the recipient's GDP and bilateral trade shares with China as share of total trade volumes have been increasing over time on average. In 1998, Chinese economic cooperation accounted for around 0.3% of GDP on average. This number fell slightly between 1999 and 2002, before it continued to increase.

In 2008, the level of Chinese cooperation had reached on average more than 1% of GDP, but even though the growth rates of Chinese economic cooperation look impressive, it should be noted that in absolute terms this is still a relatively minor source of income. Also, as shown in graph 2, average figures of the countries reveal that in the vast majority of countries that received Chinese economic cooperation from 1998 to 2008, it accounted for less than 0.5% of GDP. Only in two countries, Guinea-Bissau and Zimbabwe, the received amount of Chinese economic cooperation reached more than three percent of GDP on average. With more than 10% of GDP in 1999, Guinea-Bissau had the highest aid dependence on China in the sample.

With respect to bilateral trade, a similar picture can be observed. From 1996 onwards, trade with China has increased in relation to the total trade of China's trade partners from less than 4% to more than 10% on average. More striking is

the distribution of trade shares as illustrated in graph 4 in figure 5.2. Again, for the great majority of countries, trade with China reached only up to 5% of total trade on average. Less than one fourth of the countries in the sample, exchanged more than 10% on average of total trade with China. However, Sudan faced a trade dependency on China which was more than ten times higher as that of the average. With 55% it had the highest trade share with China in the sample in 2007.

Figure 5.2.: Average amount of Chinese economic cooperation (as percentage of GDP) by year and country and average bilateral trade with China (as share of total trade) by year and country.



5.3. Estimation procedure

Having taken a brief look on the data, the estimation procedure for the survival analysis is briefly introduced in this section. The data is right censored¹⁵ and time-discrete with country years as the unit of observation. Such type of data is usually known as event history data where the analyst is interested in examining the time until an ‘event’ or ‘failure’ occurs. In event or survival analysis, an observation is considered to ‘survive’ or to be ‘at risk’ until the event occurs or the observation fails respectively. Most often, the analysis models and estimates the so called ‘hazard’ rate. The hazard rate is the probability that an event occurs at a given point in time, given that it has not yet occurred (Box-Steffensmeier and Jones 1997).

Beck et al. (1998) argue that most binary data analyses in political sciences in which the interval of observing the data is usually extended to one year qualify as grouped duration data. They show that for such kind of binary time-series-cross-section (*BTSCS*) data, applying a simple logit regression with time dummies or splines in order to account for time dependencies is appropriate and makes the analysis identical to other survival analysis techniques (Beck et al. 1998).¹⁶ ‘There appears to be little if any cost then to use the more familiar logit link. It is well understood by researchers, is estimable with any software package, does not require learning new methods (generalized linear models), and most importantly, can be extended easily in a variety of interesting ways’ (Beck et al. 1998, 1268).

It is important to note that time dependence in the data could imply that the hazard rate may not be constant, but vary over time. For example, earlier work has shown that it is most difficult for leaders to defend their position in power when they are freshly installed, but with the time in office, their risk to fail decreases (Bueno de Mesquita et al. 2003). Hence, the hazard rate may be dependent on the time, but it is not necessarily assumed that this relationship is linear. To account for this potential time dependency in the model, Beck et al. (1998) suggest including time dummies or splines in the model specification unless a standard likelihood test indicates that the observations are temporally independent.

¹⁵Right censoring means the survival time is not exactly known, because the event is not observed before the period of observation ends.

¹⁶See also (Rabe-Hesketh and Skrondal 2008, chapter 8)

5.4. Does Chinese cooperation impact on autocratic survival?

This analysis explores the effect of cooperation with China on autocratic survival. The results of my *BTSCS* logit regressions are presented in table 5.3. First, I estimated the effect of the cooperation variables on the likelihood for leaders to fail (models 1 and 2), then I exchanged the dependent variable and used ruling coalitions instead (models 3 and 4). For each measurement of autocratic survival I ran two regressions: one with all cooperation variables for the period from 1997 onwards (models 1 and 3), and one with a longer time frame which contains only trade and diplomatic exchange (models 2 and 4). All models were estimated with robust standard errors clustered by countries to account for the likely possibility that observations in one country are more similar than observations across different countries. Models 1 and 3 do not include time splines or a cubic polynomial to model the time dependence in the data because likelihood-ratio tests rejected their inclusion. Negative coefficients indicate that a variable's effect decreases the likelihood of failure, because the dependent variables *leaderfall* and *coalitionfall* respectively take on the value '1' when failure occurs.

My major findings are that trade with China increases the survival propensity of autocratic leaders, while diplomatic relations with China and Chinese economic cooperation do not affect the time a leader remains in power. In the models 1 and 2 the coefficients of *trade* are negative and statistically significant at the 5% level. Even though pointing in the expected negative direction, the coefficients of *diplomacy* and *economic cooperation* are not significant and they do not seem to have any effect on the survival of autocratic leaders.

With respect to the survival of ruling coalitions, I do not find that cooperation with China has any impact on their duration. Even though all cooperation coefficients in the ruling coalition regressions (model 3 and 4) are negative, they are all insignificant.

It is not straightforward to interpret the estimation coefficients. The estimation coefficients express the effect on the probability of failure. Therefore, a substantive interpretation of how much trade relations with China matter for the survival of an autocracy can only be reached by concrete examples. In order to provide a better

5. The analysis of autocratic survival

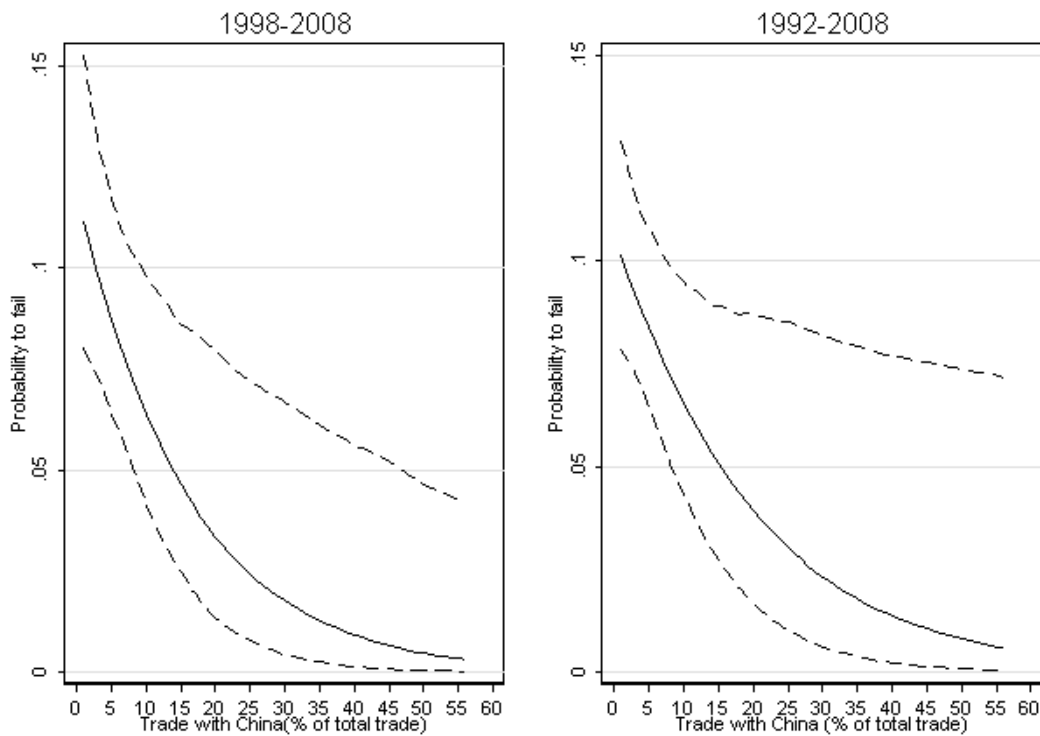
Table 5.3.: BTSCS logit regression on leaderfall and coalitionfall

	(1)	(2)	(3)	(4)
	Leaderfall		Coalitionfall	
	1998-2008	1991-2008	1998-2008	1991-2008
Economic coop. (% GDP)	-0.125 (0.185)		-0.039 (0.205)	
No of diplomatic meetings	-0.502 (0.676)	-0.677 (0.595)	-0.432 (1.655)	-0.774 (1.433)
Trade (% of total trade)	-0.062** (0.026)	-0.054** (0.024)	-0.095 (0.068)	-0.062 (0.057)
GDP/c t-1 (ln)	-0.298*** (0.113)	-0.366*** (0.102)	-0.433 (0.304)	-0.767*** (0.272)
GDP growth (t-1)	-0.010 (0.012)	-0.007 (0.009)	-0.016 (0.014)	-0.002 (0.011)
Population (ln)	-0.077 (0.111)	-0.094 (0.089)	0.220 (0.270)	0.005 (0.211)
Population density (ln)	0.067 (0.147)	0.090 (0.112)	0.187 (0.296)	0.399** (0.168)
Military dictatorship	-0.521 (0.345)	-0.800*** (0.286)	-0.473 (0.710)	-0.333 (0.461)
No of previous failures			0.410* (0.245)	0.132 (0.114)
Age of coalition in years			-0.025 (0.024)	-0.158 (0.122)
Time spline 1				1.319 (1.248)
Time spline 2				-1.838 (1.770)
No of previous failures	0.164* (0.088)	0.207*** (0.060)		
Age of leader in years	0.022 (0.018)	0.307** (0.145)		
Time spline 1		-4.620** (1.960)		
Time spline 2		5.790** (2.426)		
Constant	0.868 (2.434)	0.566 (1.973)	-4.064 (6.072)	1.233 (4.524)
Observations	647	1072	647	1072
ll	-178.733	-284.617	-59.584	-97.058
chi2	19	69	51	74

Standard errors in parentheses. BTSCS logit estimation with robust standard errors grouped by country. * p<.1, ** p<.05, *** p<.01

understanding of the regression results, I ran two simulations and calculated the predicted probabilities of leader failure when all variables were fixed to a given value except for *trade*. Figure 5.3 illustrates how a leader's likelihood to be disposed is reduced when the volume of bilateral trade with China in relation to a country's overall trade is increased. The probability to fall is displayed on the Y-axis; the X-axis depicts the share of economic cooperation with China and of a country's trade with China respectively. The line describes the relation between increasing amounts of trade and the decreasing probability to fail. The area between the dotted lines constitutes the 95% confidence interval.

Figure 5.3.: The effect of trade on the likelihood of leader fall



Simulations were run for model 1 and 2. All other variables were set to their mean values except for the military dictatorship dummy which was set to its median value.

In addition, table 5.4, expresses the effect of China's cooperation on autocratic survival in an alternative way. Again a simulation was run. Here, the amount of *trade* was increased in quantities relative to its distribution in the sample. In

three simulations it was calculated how a leader's prospects to be disposed change when the amount of trade is increased from the minimum value to the maximum, from the minimum to the mean and from the mean to the maximum. Then, the difference in predicted probabilities to fail was calculated.

The biggest improvement for a leader materializes when *trade* is increased from the minimum amount provided in the sample to the maximum value. This leads the propensity to fail for the leader in the trading country to decrease by 9.5% on average. When the volume of bilateral trade relative to total trade increases from the mean to the maximum amount, a leader can still improve his chances of not being disposed in the following year by 7.1%. However, when a country's bilateral trade with China relative to its total trade is increased from the minimum to the mean value, this improves a leader's survival expectancy by only 2.3%.

Table 5.4.: Simulated probabilities

Simulated probability	min to max	min to mean	mean to max
Pr(leader fall=1)	-.095 (.026)	-.023 (.011)	-.071 (.018)

Robust standard errors in parentheses; all other variables were set to their mean values, the military dummy to its median value.

From the combination of both ways to interpret the effect of trade on the survival of leaders (the graph and the table), it becomes clear that the marginal effect of *trade* is strongest when *trade* is increased from zero to the maximum or from medium values to the maximum. This might be counterintuitive, because the decreasing gradient of the line in graph 5.3 would suggest just the opposite: that the reduction in the risk to be disposed is strongest when bilateral trade volumes rise from very low to medium levels. But the analysis suggests that leaders in countries with relatively high trade dependence on China seem to profit most from the stabilizing effect of Chinese trade. If one considers that the average country's bilateral trade with China hovers at around 3.5% of total trade while the distribution of trade shares ranges from zero to more than 50%, a leader would need to increase bilateral trade volumes with China considerably in order to substantially increase his survival prospects. Given this, one could suppose that the results are driven by a few countries with extremely high trade dependencies

that heavily influence the analysis and bias the results. As I will show in the robustness tests below, this is not the case.

In view of my theory, these regression results suggest that cooperation with a powerful autocratic patron can indeed stabilize autocratic regimes. However, it depends on the form of cooperation: There is no empirical evidence that economic cooperation as a form of most direct support destabilizes the autocrat, whether on the basis of individual leaders or ruling coalitions. Cooperation in the form of the exchange of goods, in contrast help autocratic leaders, but not coalitions to improve the autocrat's prospects to survive and fend-off competitors. Diplomatic support, on the other hand, has not been found to observably stabilize the power of autocratic leaders or authoritarian ruling coalitions.

Before I interpret these findings in more detail in section 5.5, I briefly discuss the findings with respect to the other variables in the regression as well as the robustness of this model. With respect to the rest of the model, most of the control variables also influence the propensity of autocratic survival in the expected directions. Most importantly, *GDP per capita* decreases the risk of collapse for leaders. This relationship is statistically significant. *GDP growth* also points into the expected direction, but is not significant, however. The effect of *population* seems to differ between the survival of leaders and coalitions. As the signs indicate, population size seems to increase the vulnerability of leaders to fall, but stabilizes coalitions. However, in none of the regressions population yields statistically significant coefficients.

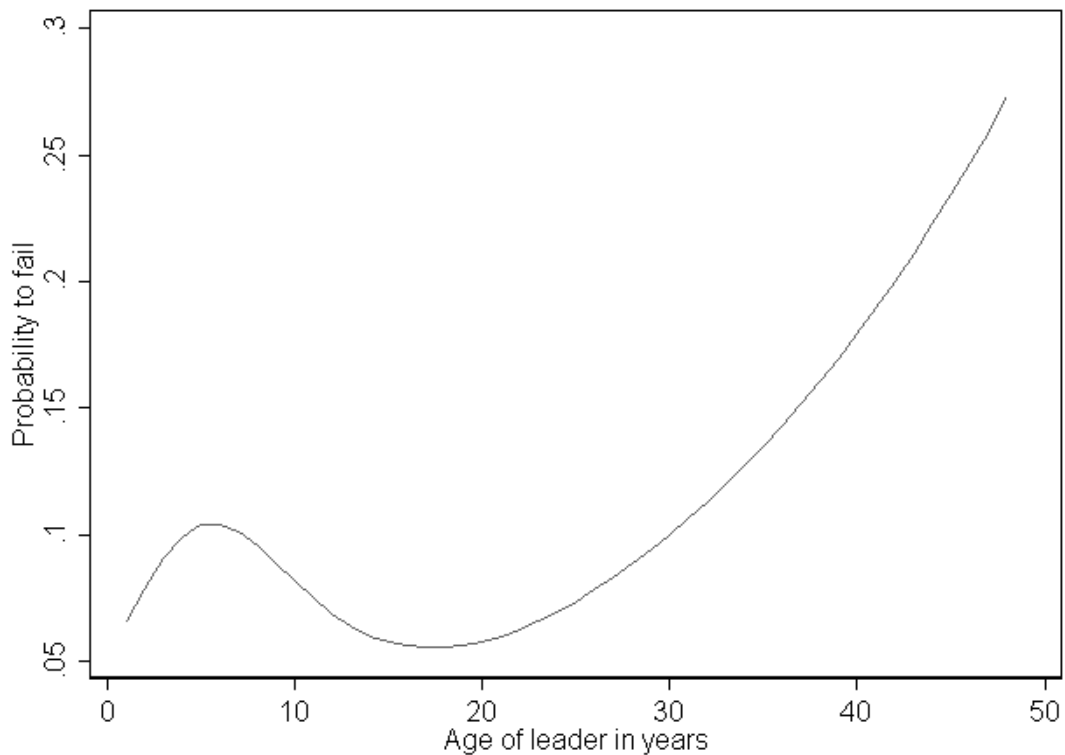
As suggested in section 5.1, social interaction and the possibility for collective action make autocracies more likely to be overthrown. The coefficient of population density is positive in all regressions, in model 4 even statistically significant. This implies that when people live closely together, it becomes more difficult for ruling coalitions to maintain power. However, individual leaders are not affected by population density in their survival.

According to my estimations, military dictatorships seem to have a higher likelihood to remain in power than civilian dictatorships or monarchies, even though existing literature actually found military dictators to be more likely to transition to democracy (Geddes 1999a). For the post-Cold War period, military leaders survived on average significantly longer than their counterparts in other forms of

dictatorships.

The remaining variables in the models are more technically in nature and mostly refer to the time dimension in the models. The more changes an autocracy experiences in its rulers, the less durable its previous ruling generations are: For both leaders and coalitions, the number of previous failures is a significant predictor. As a consequence, the more often individual leaders and ruling coalitions changed in the past, the lower is the likelihood that a ruler or the ruling coalition will remain in office.

Figure 5.4.: Effect of time on the likelihood of leader fall in autocracies, 1991-2008



In contrast to my expectations, a ruler's time in office is not relevant in all models. More specifically, in models 1 and 3 which cover only one decade, the variable age of leader or coalition is not significant and a likelihood-ratio test suggested removing the time splines from these models. In these models, the survival likelihood does not appear to be affected by the time a leader has spent

in office. In model 2 and 4, where the models cover a longer time-frame, time is a more important factor. Because it is assumed that the relationship between a leader's or coalition's time in office and his survival is not linear, variable *age* is to be interpreted together with the time splines. This is not straightforward.

Figure 5.4 graphically illustrates a leader's risk to fall over time for model 2, in which the three variables are significant. The probability to fall is displayed on the Y-axis; the X-axis depicts the time in years a leader has been in office. The line describes the relation between increasing time in office and the probability to fail when all other variables in the model are set to the sample mean values (except for the military dummy which is set to its median). It becomes clear, that the relationship is, indeed, not linear. In his first five years in office, a newly installed leader faces a continuously increasing risk fail. Once he has survived his fifth year, however, it gets easier for the leader. A period follows where the probability to be overthrown actually goes down to a very low level. The second turning point at around 18 years indicates that staying in power now becomes increasingly difficult for the leader. The risk to be disposed rises with each year he remains in office. Given the very low probabilities displayed on the Y-axis, the overall effect of time is not very strong.

Robustness

In the following, I carry out a number of robustness tests in order to check whether the relation between autocratic cooperation and autocratic survival is driven by the model specification, the set of variables that are included, the sample composition, or the estimation procedure. Since model 1 and 2 delivered the most interesting results, I concentrated my efforts to check the robustness of my findings on these two models. I ran a number of additional regressions to check the robustness of model 2 which can be clustered into two types of robustness tests.

Table 5.5.: BTSCS logit regression on leaderfall 1992-2008, robustness

	(5)	(6)	(7)	(8)	(9)
No of diplomatic meetings	-0.490 (0.633)	-0.581 (0.645)	-0.695 (0.596)	-0.662 (0.595)	-0.588 (0.588)
Trade (% of total trade)	-0.052** (0.025)	-0.063** (0.027)	-0.046* (0.024)		-0.049** (0.024)
Trade t-1 (% total trade)				-0.060** (0.027)	
GDP/c t-1 (ln)	-0.286* (0.172)	-0.427*** (0.098)	-0.365*** (0.101)	-0.366*** (0.101)	-0.358*** (0.100)
GDP growth (t-1)	-0.004 (0.011)	-0.008 (0.009)	-0.007 (0.009)	-0.007 (0.009)	-0.006 (0.009)
Population (ln)	-0.164 (0.121)	-0.162 (0.111)	-0.087 (0.087)	-0.093 (0.090)	-0.095 (0.088)
Population density (ln)	0.133 (0.104)	0.113 (0.119)	0.088 (0.109)	0.093 (0.112)	0.089 (0.111)
Military dictatorship	-0.693** (0.314)	-0.960*** (0.320)	-0.746*** (0.289)	-0.803*** (0.284)	-0.775*** (0.283)
Urban growth	-0.040 (0.104)				
OECD ODA (% GDP)	0.038 (0.027)				
Oil revenue (% GDP)		0.001 (0.002)			
Leaderfalls in the region	2.047*** (0.686)				
Subsahara	-1.000 (0.616)				

Middle East and North Africa	-1.571***				
	(0.450)				
East Asia	-0.544				
	(0.538)				
Central Asia	-1.696**				
	(0.786)				
No of previous failures	0.167**	0.252***	0.204***	0.207***	0.205***
	(0.082)	(0.071)	(0.060)	(0.060)	(0.059)
Age of leader in years	0.281	0.376**	0.314**	0.311**	0.294**
	(0.171)	(0.162)	(0.144)	(0.146)	(0.144)
Time spline 1	-3.978*	-5.214**	-4.707**	-4.663**	-4.435**
	(2.301)	(2.166)	(1.943)	(1.969)	(1.938)
Time spline 2	4.996*	6.491**	5.897**	5.843**	5.562**
	(2.850)	(2.681)	(2.405)	(2.438)	(2.399)
Constant	1.627	1.691	0.434	0.539	0.621
	(3.136)	(2.123)	(1.936)	(1.978)	(1.951)
Observations	957	920	1038	1071	1072
ll	-236.533	-250.673	-283.539	-284.491	
chi2	94	66	63	65	
df_m	18.000	12.000	11.000	11.000	11.000

Standard errors in parentheses

* $p < .1$, ** $p < .05$, *** $p < .01$

BTSCS logit estimation with robust standard errors grouped by country.

To begin with, I introduced various additional control variables to the model that have been found significant determinants of regime survival in order to check whether the model suffers from omitted variables (Ross 2001; Smith 2004; Morrison 2009). Second, I estimated the models without the most extreme observations to check whether the results were driven by outliers. Thirdly, I checked for endogeneity by replacing trade and using a lagged value for trade instead. Finally, I checked whether the model is methodologically appropriate by re-estimating the model with a different technique for rarely occurring events.

Table 5.5 gives an overview of the regression results when additional explanatory variables were introduced. First of all, in model 5, I introduced an additional variable, leader fall in the region. With this variable, I tested whether regime survival is determined by spill-over effects from a country's neighbors. Variable *leaderfall region* measures the number of a regime's neighbors that collapses in a given year relative to the number of neighbors a country has. Interestingly, this variable has a destabilizing effect. Autocratic leaders must fear to lose power when the leaders in neighboring countries are removed from office. However, the inclusion of this spatial dimension did not alter the regression results in comparison to the baseline model.

Second, I introduced the second social interaction variable, urban growth. In contrast to my predictions, it has a stabilizing effect, but is not significant. Thirdly, I tested whether leaders that receive money from alternative external funds are generally more likely to survive. This seemed not to be the case. External funding, measured as *ODA* from OECD donors, neither principally reduced the risk of failure nor reduced it the effect of *trade* from China.

Thirdly, a number of regional dummies were introduced to the model to check whether the stabilising effect of *trade* is driven by regional trade patterns. The result rejects this possibility. Even though countries in the Middle East and North Africa as well as Central Asia seemed to be generally more stable (as indicated by the significant and negative coefficient), the stabilizing effect of trade was not affected.

Finally, I checked for another source of non-tax revenue, the revenues of oil exploitation. However, when I introduced variable *oil revenues* to the model, the number of observations decreased dramatically from more than 1000 to little

more than 900. This is why I tested this variable in a separate model (model 6). The effect of *oil revenues* is almost zero in magnitude and not significant. The stabilizing effect of trade is not affected.

With regard to methodological issues, I ran two further regressions to check the appropriateness of the chosen estimation procedure. In model 7, I checked whether the results are driven by influential observations. As has become clear in section 5.2, most of the countries in the sample exchange less than 5% of their overall trade with China, but there are two outliers, Sudan and Myanmar whose bilateral trade with China on average accounts for roughly 20% or more of their total trade volumes. In order to make sure that the stabilizing effect of trade with China is not created because of these two unrepresentative, but potentially influential cases, I excluded these two cases from the sample. Even though the strength of the trade coefficients decreased slightly, their sign and significance remained stable (model 7).

In model 8, the trade variable was lagged for one period in order to make sure that the effect is not caused by reversed causality. McGillivray and Smith (2004) found that leadership turnover in autocracies reduces trade flows. If China trades more with countries that have been under the leadership of an autocrat for a very long time, the detected correlation between bilateral trade volumes and leader stability suffers from reversed causality. But the coefficient of the lagged trade variable is consistent with the earlier findings.

Finally, as already mentioned, leader failures occur in less than 10% of the observations. Therefore, I also re-estimated the model with an alternative procedure using the rare events logit estimator proposed by Tomz et al. (1999).¹⁷ The results of the rare event analysis are very similar to those of the ordinary procedure (model 9).

Neither the inclusion of additional independent variables, nor the exclusion of influential observations nor the estimation with a different technique led to major changes of the effect of *trade* or reduced its significance, but the effect of *trade* with China on regime failure remained stable.

¹⁷See also King and Zeng (1999).

5.5. Discussion of findings

This is a first quantitative attempt to investigate China's impact on autocratic longevity elsewhere in the world. I investigated how three different types of cooperation impact on the survival of autocratic leaders and ruling coalitions: economic cooperation, trade and meetings with the highest Chinese leadership. The various different models that have been estimated give a complex picture of the nexus of regime stability and cooperation with an autocratic major power.

My results suggest that China's rise indeed has an impact. Most strikingly, trade has a stabilizing effect on leader survival in other autocracies. Trade dependence on China, that is high trade shares with the *PRC* in relation to a country's overall trade, improve the prospects to remain in power for autocratic leaders. The relevance of these findings is strengthened by the various robustness tests which confirmed my results. The findings held when various additional explanatory variables were introduced, and when different estimation procedures were chosen.

On the other hand, I did not find evidence that other forms of cooperation increased autocratic stability. Neither Chinese economic cooperation nor diplomacy, understood as the number of encounters with either the Chinese president or prime minister, turned out to impact on regime stability.

In view of my theoretical argument, I conclude from this that hypothesis H6 is only partly supported. Obviously, the form of cooperation matters whether or not cooperation leads to autocratic stability. Against this background, the question whether there is something specifically supportive to authoritarian leaders in China's trade suggests itself. Yet, the exact mechanism behind this robust correlation between trade and autocratic survival is not entirely clear.

It has been argued that Chinese trade flows, more than that of other states is subject to political considerations and controlled by political interests of the Chinese government (Fuchs and Klann 2011). In this sense, trade is a possible instrument to reward compliant leaders in other states.

Another plausible explanation for this finding could go via rentier effects if trade flows with China only reflect the export of extractive resources which in turn lead to prolonged authoritarian longevity (Ross 2001; Smith 2004). However, this kind of a 'resource curse' as the underlying mechanism leading to autocratic stability

was not directly supported by the data analysis: I did not find that oil rents additionally improved the survival prospects of a leader or weakened the stabilizing effect of trade.

Against the background of these findings, a third explanation for the stabilizing effect of Chinese trade is plausible. That is, maybe the structure of Chinese exports plays an important role as well. It is possible that the cheap consumer goods which China exports to the developing world improve a leader's survival expectations, simply because they are affordable to the masses; increase the living standard of the poor and thereby bring about social peace and increase their agreement with the leadership. Being a research project in its own right, it would be worthwhile to investigate whether Chinese exports have any distinct implications for political stability elsewhere.

It is important to note that the effect of trade flows on autocratic survival is not reflecting a spurious relationship between trade openness and regime stability. More open governments may have better prospects to survive in power. However, it is the intensity of trade relations with China relative to a country's total trade which is decisive and not absolute trade volumes.

A second aspect of my finding is that my results suggest that China's impact is generally weaker than is assumed or feared when a few exemplary cases are discussed in the media: The trade dependence of most developing countries on China are low, and at the same time, the improvements of a dictators's survival prospects through trade relations with China are small, especially if compared to other domestic factors that might lead to the disposal of a leader.

This leads me to the last point. Still, there is much noise in the data and this is one reason why researchers face considerable difficulties in analysing China's impact. Not only is China's rise a recent phenomenon, but also data is difficult to access or does not allow to clearly isolate a specific component of interest. For example, as discussed in section 4.1, the Chinese economic cooperation statistics contains a mixture of aid, trade, foreign investment, and international donors. It contains Chinese aid components, commercial projects, projects from international donors for which a bidding took place and many more things. So, the conclusion we can draw from the fact that Chinese economic cooperation did not have a significant effect on autocratic survival must remain limited, not least because this

finding can have many reasons.

Also, China's diplomacy which has often been criticized for being supportive to autocratic leaders does statistically not make a difference for autocratic stability when seen from a macro-perspective. When measured as the mere number of bilateral state visits as a first approach to the phenomenon, there seems to be only little variation between states and the gain of international legitimacy a leader can obtain through these state visits is not reflected in the results. Here, more qualitative comparative research could be helpful for the development of a quantitative measure that better captures the situative importance of high level state diplomacy.

Before closing the quantitative analysis with this chapter, I briefly recall the most interesting points which were revealed by the previous investigation in Chinese economic cooperation and the cooperation-survival nexus.

First of all, as predicted by the theory, I showed in chapter 4 that autocratic countries, in principal are targets of Chinese attempts to cooperate when we accept that true non-cooperation is not a viable alternative - that is, when we acknowledge that a complete pullback from cooperation is not desirable, but that the Chinese government prefers to continue cooperation at a very low level rather than entirely cutting ties. Autocratic countries are more likely to become a recipient of Chinese cooperation, a first indication that there might be an intentional selection process on the side of the Chinese. The rationale behind this selection process is that autocratic leaders should be easier to convince and easier to 'corrupt' or 'buy' in order to make them comply with an external player's interest. Moreover, what could be shown was that economic cooperation is rewarded for compliance with the 'one China' policy and that the role of resource endowment has increased over time. These findings are all plausibly in line with my argument.

Two findings seriously challenge my theoretical argument, however. First, it turned out that poor countries receive more Chinese economic cooperation which suggests that the allocation of Chinese economic cooperation is need-oriented. According to the theory, one would expect wealthier countries to receive more transfers, because with increased domestic resources, it should become more 'expensive' to buy policy concessions from a government. Second, and more importantly, I failed to proof that autocracies receive less transfers from China. In contrast to my

prediction, they receive more rather than less economic cooperation which raises the question whether autocracies are indeed easier to exploit from outside.

In combination, these two findings challenge an important piece in the theoretical argumentation. Only if the Chinese government is indeed more successful in pursuing its interests in autocratic countries does the argumentation in favor for autocratic patronage make sense. Whether this is the case still remains unclear. I will investigate this question in the following case studies.

6. The case study analysis

The theory put forward in chapter 3 has many implications. Only several of these, formulated in the hypotheses H2-H6, have been tested in the previous chapters by a quantitative regression analysis. So far, I have tested whether China's cooperation depends on regime type or resource endowment of a country and whether cooperation with China affects the likelihood of political survival. The remainder of this study explores in an alternative way the validity of my theoretical argument. The following chapters will test hypothesis H1 by the means of three comparative case studies.

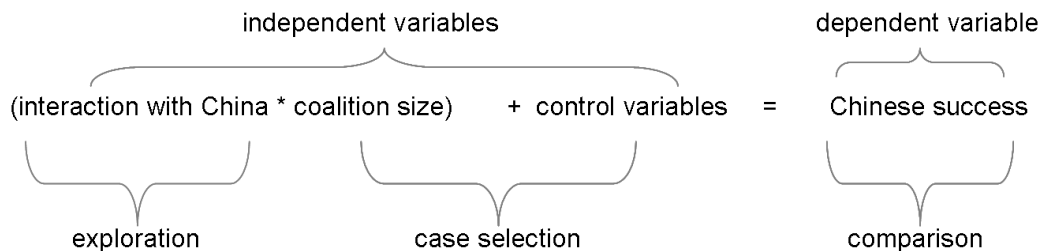
In the rest of this chapter, I will discuss the case study design in more detail. Section 6.1 begins with a presentation of the comparative design of the case studies and puts this in the context of the previous quantitative findings. To test the hypothesis H1 as such, of course, a clearer definition is needed of the Chinese interests and of the winning coalition. Therefore, I continue this chapter with section 6.2 on the operationalization of the hypothesis. Moreover, the selection of countries for the case studies that I will investigate in the next chapters is one of the most critical conceptual decisions of this analysis and the study's relevance but also the degree to which its results can be generalized crucially depend on its plausibility. Therefore, section 6.3 reflects on the case selection and the methods of data collection. Finally, the structure of the cases studies is discussed before the three cases are presented in chapter 7 to chapter 9. The findings of all three case studies are compared in chapter 10 on the basis of which the actual hypothesis test is taken.

6.1. The case study design

In this chapter, I will examine another hypothesis H1, a key assumption referring to the very root of the theoretical argument. Recall the basic consideration which assumed that the domestic political structures of a state, or more precisely the size of its coalition, is of interest to the Chinese government, because it affects the ease with which a government can be influenced. The core of the argument is that small coalition governments are easier to exploit from outside. As a consequence, if the theoretical argument is right, China should be more successful in realizing its foreign interests vis-à-vis small coalitions than vis-à-vis large winning coalitions, which is precisely what is stated by H1: *China is more successful in realizing its interests in autocracies than in democracies.*

The objective of the following three comparative case studies is to test hypothesis H1 and to investigate whether small winning coalitions - where the winning coalition is expected to be easier to co-opt - are more resilient to Chinese interests. As illustrated in figure 6.1, the dependent variable in the case studies is the realization of Chinese interests and the explanatory variables of interest are a country's coalition size and its interaction with Chinese cooperation.

Figure 6.1.: Case study design



However, one factor of particular interest in the light of the theory and the findings of the previous quantitative analysis is the interaction and exchange between Chinese actors and their counterparts in the case study countries. This factor is interesting, because the previous quantitative analysis found that autocratic countries receive more economic cooperation from China and that high trade dependence with China stabilizes the rule of autocratic leaders.

Of course, the theory has clear expectations with respect to the assumed causal

mechanism why the exchange of goods should help the autocrat to stay in power. According to the theory, small coalition governments exchange policy concessions against targeted goods from external players. These targeted goods are then directly beneficial to the survival of the autocrat, because he can redistribute them among his supporters. From the perspective of an external player with its own interest to extract policy concessions from a government, it seems plausible to make use of this incentive system if he has information on the size and composition of the winning coalition elsewhere. So the immediate implication of the theory is that external players specifically target the leaders or the members of the dictator's winning coalitions in autocracies with goods that suit the specific needs of these groups. Targeting the dictator and his coalition is the most effective way to make the dictator comply with external interests. A similar approach in democracies, in contrast, should be less effective, because the democratic leader has fewer incentives to accept targeted goods in exchange for such policy concessions. This is because the democratic leader needs to make his decisions more transparent, and make the policy concession acceptable to a wider part of the population if he wants to be re-elected.

Again, while I showed in the previous chapters that autocrats are more likely to become a target of Chinese economic cooperation and that trade dependence on China, that is the dependence on exchanging goods with China stabilizes the rule of autocrats, the previous analysis was blind to the question whether or not these exchanged goods were narrowly targeted or not. However, a rigorous comparative analysis of the interaction between Chinese actors and those in the case study countries with the aim to find out whether exchanged goods are targeted or not and if so, towards whom, turned out to be difficult during the course of my case study investigations.

Both, observation and measurement of interaction between Chinese actors and their counterparts in the case study countries is challenging. Firstly, even when only a few countries are investigated, I found that information on the volumes of exchanged goods was difficult to obtain, messy and hard to compare across cases. Comprehensive data on Chinese engagement, for example foreign investment, foreign assistance and loans, are difficult to obtain from the Chinese side. Given the fact that I am dealing with low income countries, the capacity of these countries

to provide comprehensive data is also expected to be low. For example, official statistics on foreign direct investment - if accessible at all - often contain only investment approvals of investment boards. Apart from the fact that the majority of Chinese investments usually does not go through such official registration, it is not clear whether the approved projects are finally realized.

A second problem consists in the difficulty to differentiate between state and private Chinese actors. The line between economic assistance tied to Chinese *SOE* and state commercial investments as well as between state and private actors is blurred. Most often, it is intransparent and unclear whether Chinese actors act as private or state actors and in how far seemingly private actors are in fact controlled and supported by the state.

Most importantly, also with respect to the key question of who benefits from the Chinese engagement, information is sometimes scarce. For example, a strictly comparative investigation would require not only information on whether the Chinese government provides let's say scholarships to a country, but more important is the question which people are entitled to study in China. Are the students selected according to their university grades or is it the elite's offspring that benefits from this opportunity. Clearly, due to the suspected nature of the interaction, there is a tendency to cloud it. If bilateral exchanges are really beneficial for only a small elitist group of the society, why should those benefiting disclose this out in the open to the public?

Hence, as can be seen in figure 6.1, I will investigate in the interaction between Chinese actors and those of the case study countries albeit in a more descriptive than explanatory way. Without claiming to comply with the standards of a systematic comparison, I dedicate a specific section to the interaction and exchange between Chinese actors and their counterparts in the case study countries. This section is particularly designed to investigate who the target groups of Chinese cooperation in a country are. The Chinese government is expected to reward small coalition leaders more with goods specifically targeted to the needs of the leader and his coalition, while the needs of the population at large should play a bigger role when the coalition is large. A democratic leader should accordingly be rewarded with goods or policies that help him to become re-elected. In order to scrutinize not only the nexus between coalition members in both China and

the other country but also asking the question whether the larger populations are addressed differently depending on whether they are part of the coalition or not, the section is divided into two sub-sections along the inclusion in or exclusion of actors in the winning coalition.

6.2. Operationalization

The objective of this comparative case study is to test hypothesis H1, whether China is more successful in realizing its interests in small coalition countries than in large coalition countries. In order to do so, an operationalization is needed which enables me to measure and to compare the coalition sizes (the independent variable) and the Chinese success in realizing its interests (the dependent variable).

6.2.1. The winning coalition

In this section, I develop a measurement of the coalition size. In contrast to the previous quantitative analysis in which regime type was measured by quantitative measures, regime type and the size of the coalition will now be measured qualitatively. I thereby refer to the concept of winning coalition and selectorate as mentioned earlier in section 3.1.

Recall, the selectorate was the subset of all residents with a formal role in choosing the leadership, regardless of whether or not their choice influences the selection of leadership. Furthermore, the winning coalition is defined

‘as a subset of the selectorate of sufficient size such that the subset’s support endows the leadership with political power over the remainder of the selectorate as well as over the disenfranchised members of the society’ (Bueno de Mesquita et al. 2003, 51).

In brief, the concept of coalition remains rather vague and the decision which groups are in or out of the coalition in a concrete case is left to a matter of plausible argumentation: The size a coalition in a given regime depends on the ‘qualities required for membership’ - which can vary from lineage to arms to party-membership - ‘and on the degree to which those qualities relate to lumpy or broadly

distributed characteristics within the selectoreate.’ (Bueno de Mesquita et al. 2003, 51).

Against this background, in each case study the qualities on which membership of the winning coalition is based and the sub-groups of society constituting the winning coalition are discussed. As the selectorate’s formal role is usually defined *de jure* in a country’s constitution, this is the starting point of the analysis. To put the constitutional provisions in their right perspective, the *de facto* validity of the constitutional framework will be discussed.

6.2.2. Success in realization of interests

The dependent variable in my case study analysis is China’s success in furthering its interests in a country. For this, I first need to define the most important goals of China’s foreign policy in order to measure China’s success in realizing its interests in a country and to compare the compliance of governments. The following three interests are defined as key foreign policy objectives by the Chinese government (Shiping and Yunling 2005).¹

1. The ‘one China’ policy and China’s territorial integrity,
2. China’s access to primary resources in a given country,
3. a country’s compliance with context-specific Chinese geo-political interests and its behavior towards the U.S. in particular.

The next step is to develop a measurement of success in realizing these interests. Leaders in all case study countries are confronted with Chinese interests to which they have to respond. The success of Chinese engagement in realising these interests is measured in terms of the ‘responsiveness’ of the countries under investigation. I differentiate between three categories of compliance along a spectrum of compliance reaching from one extreme of ‘refusal’ to the other extreme end of ‘eagerness’. ‘Reluctance’ denotes a middle position between both ends. Figure 6.2 visualises this spectrum of compliance.

¹In the following, the terms ‘interest’, ‘goal’, and ‘objective’ are used interchangeably.

Figure 6.2.: Spectrum of compliance



I classify China's success in three broad categories according to the responsiveness of the respective counterpart on a continuum from unsuccessful to very successful. Accordingly, a government can refuse to comply with Chinese interest, show formal resilience, or actively promote Chinese interests. Each reaction corresponds to one of the three types:

1. Refusal: A government publicly disagrees with the Chinese position and disregards Chinese interests. This means China is unsuccessful in realizing its interests in that country.
2. Reluctance: A government formally gives in to Chinese interests by responding on the base of a lowest common denominator. This is the standard way of dealing with Chinese interests and can, at least from the Chinese perspective, be considered a success in realizing its interests.
3. Eagerness: A government publicly promotes the Chinese position and proactively pursues the Chinese interests without being asked to do so by China. This exceeds the Chinese expectations and accordingly, China is very successful in implementing its interests.

With regard to each of the three specific Chinese foreign policy goals which have been mentioned above, a particular reaction in the spectrum of compliance is possible. In the following, I briefly elaborate on the nine combinations. Table 6.1 gives an overview on which particular reaction corresponds to which position in the spectrum of compliance.

The 'one China' policy and China's territorial integrity First, with respect to the interest of territorial integrity the 'refuser' resists the Chinese request to

adhere to the ‘one China’ policy and diplomatically recognizes Taiwan. The ‘reluctant’ type of reaction is to recognize the *PRC* as the sole Chinese state, but to simultaneously maintain unofficial relations with Taiwan. This is the mainstream reaction of countries to the ‘one China’ policy. The ‘eager’ countries, in contrast, do not even unofficially cope with Taiwan and support the Chinese position in international fora pro-actively.

Regarding interaction with the Dalai Lama, reactions are similar: While the ‘refuser’ gives the Dalai Lama attention and seeks contact with him, the ‘reluctant’ responds to the Chinese interest by treating the Dalai Lama on a low profile basis, but is not particularly avoiding contact. He is also willing to deal with the Dalai Lama as a private person, as opposed to a state guest. Again, the ‘eager’, irrespective of the Dalai Lama’s diplomatic status, treats him as a *persona non grata*, thereby not providing him a platform at all.

Chinese access to primary resources in a given country When it comes to the Chinese interest of acquiring raw materials, I look on how successful Chinese companies are in accessing natural resources. Here, the three categories describing the Chinese success refer to the following: The ‘refuser’ marginalizes or even fends off Chinese attempts to gain access to natural resources. The middle position is one in which Chinese companies are treated as any other investors, resulting in a fair share of Chinese companies active in the resource sector. An ‘eager’ government favors Chinese companies over other investors and, therefore, heavy Chinese engagement in the resource sector is stimulated.

Resilience to context specific Chinese geo-political interests Finally, with respect to China’s geopolitical objectives and a country’s behavior towards the U.S. in particular, I refer to the concepts of balancing and bandwagoning to describe a government’s behavior to deal with the two hegemonic powers, China and the U.S. (Waltz 1979). Accordingly, the ‘refusing’ type adopts a strategy of balancing. Balancing describes a behavior of containing the rise of the *PRC* as a challenging power. Hedging is then the typical reaction of the ‘reluctant’ compliant. Hedging implies to try neither to be dominated by rising China nor to antagonize it (Chung 2009). The ‘eager’

pursues a strategy of bandwagoning, meaning to either siding with China for profit-sharing and rent-seeking or joining the emerging challenger (China) to counter dominance by the hegemonic power (Chung 2009).

Table 6.1.: Expected reaction according to type of compliance.

Issue area	Type of compliance		
	Refusal	Reluctance	Eagerness
‘One China’			
Taiwan’s recognition:	official	unofficial	not at all
Dealing with Dalai Laima:	official	unofficial	not at all
Resource access			
Treatment of Chinese investors	discriminative	neutral	preferential
Geo-strategy			
with/against China	balancing	hedging	bandwagoning

While each case study delivers a valuable empirical evaluation of my theory on its own, it is their comparison that enables me to infer whether my theory, in its very core, holds. In chapter 10 I will conclude the case study analysis with a comparative analysis of the findings of each of the three cases in the light of my theoretical argument. Recall, the theory would predict a more successful implementation in small rather than in large coalition governments. On the base of my comparison of China’s relations with the Burmese, Cambodian, and Mongolian elites, I assess whether China acts differently vis-à-vis small and large coalition governments and whether this interaction results in different outcomes as predicted by the theory.

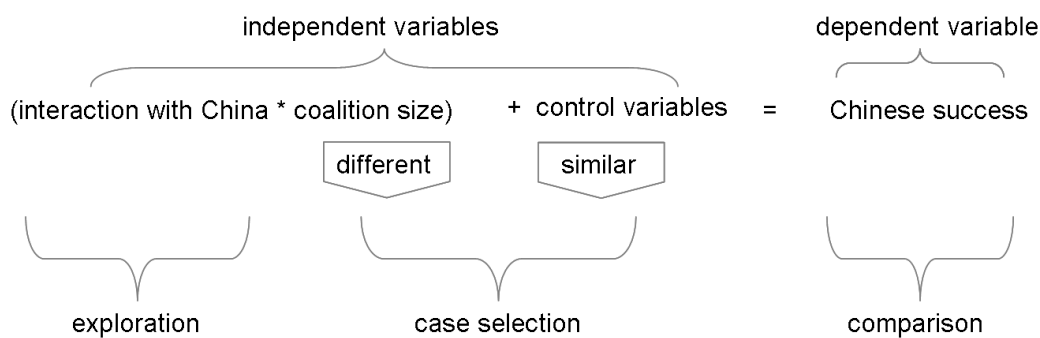
6.3. Case selection

In view of the research interest of this thesis, the case study design requires a comparison between countries which are different in coalition sizes yet similar in terms of their remaining characteristics. That is, on the one hand, divergence is needed with respect to political systems in order to check whether China’s ability to pursue and realize its external interests differs with varying coalition sizes. On the other hand, similarity is desired with respect to the countries’ further

characteristics because this will ease the comparison and reduce the potential for intervening variables. Due to the explorative purpose of the analysis, the cases are not selected on account of a specific characteristic of Chinese cooperation with a given country and Chinese success in realizing its interests. These variables are rather left to exploration in the case studies. Burma, Cambodia, and Mongolia are the result of a selection procedure which tried to account for different coalition sizes and similar values on a number of other parameters.

With respect to their political systems, Mongolia is the most open case with a large coalition and a large selectorate. In contrast, the governments in Cambodia and Myanmar are based on small coalitions. All three political orders will be discussed in detail in the respective case studies. For now, it is important to note that the starting point for each case study is chosen individually in accordance with their domestic transformation in the post-Cold War period. In Burma, it starts with the 1988 military coup and the elections in 1990 respectively. The investigation on Cambodia focuses on the period after the peace settlement brought about by the Paris Peace Agreement and the subsequent United Nations Transitional Authority in Cambodia (*UNTAC*) mission (from May 1992 to November 1993) and looks at the Kingdom of Cambodia under the constitution of 1993. In Mongolia, the period under examination covers the country after the 1992 constitution was adopted.

Figure 6.3.: Case selection



The selection of these three cases was based on the consideration of their relative similarity of characteristics other than the sizes of their respective coalitions and selectorates. It is summarized in table 6.2. First of all, the selection of three

countries located in continental Asia ensures regional proximity of all three cases to China. Just as we expected cooperation to increase between close countries in chapter 3.4, we expect compliance to grow with regional proximity. Leaders might feel stronger pressure to respond to Chinese interests because of mutual interdependence related to direct neighborhood or because proximity might credibly increase threats to national security. Furthermore, world regions often share similar historical experiences and cultural characteristics. For instance, all three countries share a communist past until the end of the 1980s, but then embarked on different political paths. With Buddhism as the major religion, all three countries have more or less comparable cultural and religious patterns.

Table 6.2.: Overview of the case selection

Variable	Country		
	Burma	Cambodia	Mongolia
Political system	autocratic	hybrid	democratic
Location	continental Asia	continental Asia	continental Asia
Religion	Buddhism	Buddhism	Buddhism
Income	low	low	low
Natural resources	abundant	abundant	abundant

Second and third, all three of the nations are poor in terms of national income, but rich in natural resources that have the potential to increase the countries' wealth. With respect to their income, all countries belong to the poorest nations in Asia and classify comparably as lower middle (Mongolia) and low income (Cambodia and Burma) countries in the World Bank's ranking. Again, in chapter 3.4 we assumed a country's wealth to impact its cooperation with China and since we are studying how cooperation interacts with coalition size, comparing countries with similar incomes reduces the likelihood of intervening variables.

In terms of resource endowment, all three countries have at their disposal easily extractable natural resources. Certainly, Mongolia with its wide range of minerals of high quality and quantity is leading the list. Mongolia's treasures include minerals such as copper, tin, nickel, zinc, fluorspar, gold and silver. Most notably, the country has the world's largest untapped copper and gold resources, the world's largest untapped cok coal deposits of finest quality and the world's

largest uranium reserves. Cambodia and Burma, in contrast, are rich in timber, precious stones, and both have a high hydropower potential. Cambodia has an estimated untapped reserve of 2 billion barrels of oil and 10 trillion cubic feet of natural gas (Lum 2007). Burma's oil reserves are almost depleted but its proven natural gas reserves are estimated a 10 trillion cubic feet in 2010 (U.S. Energy Information Administration 2010). Most importantly, one can safely assume that resource deposits in all three countries may be of interest to China, because their exploration in all three countries only started during the 2000s and a considerable part of known reserves are still to be developed for exploitation.

6.4. Data collection

With respect to data collection and information about empirical facts, the case studies are based on the analysis of secondary literature, but also on interviews and conversations with academics and political actors in the respective countries. It should be noted that data collection was not equally feasible in each of the countries. Whereas in democratic Mongolia, it was easier to gather information through direct contacts with government officials, in less-democratic Cambodia I was forced to rely more on interviews with non-governmental organization (*NGO*), members of the opposition, emigrants and international agencies. For autocratic Burma, finally, the analysis was mostly based on secondary literature and a few expert interviews. Also the literature discusses Mongolia's relations to China very much from a strategic point of view, thereby often taking on an academic international relation perspective. This perspective is much less to be found in the literature on Sino-Cambodian or Sino-Burmese relations.

To my surprise, this endogeneity also worked quite in the opposite direction: In some respects, I found it more difficult to gather information on China's actions in Mongolia than in Cambodia or Burma. This is due to the kind of information that is dispersed in the three countries. Much of the information on Chinese economic activities in Cambodia and Burma originated from detailed *NGO* reports. In their attempt to shed light on and document the illicit activities of the Cambodian and Burmese elites, these sometimes very investigative reports name concrete individuals or companies involved and pinpoint where and when the law, human rights,

or environmental standards in Cambodia and Burma have been violated. This kind of reports are difficult to find in Mongolia, at least in English. In contrast, different from Cambodia and Burma, Chinese economic engagement in Mongolia remains to a large extent unexplored.

Data has been gathered and analysed during a period of three years beginning in mid of 2007 to end of 2010. During this period, I conducted more than 80 interviews and conversations with academics, political actors, administrative staff and international experts in Beijing, Shanghai, Ulaanbataar, Phnom Penh, Hanoi, Singapore, Berlin and Bonn.

6.5. Structure of the case studies

In accordance with the research question, each case study is structured in five parts. The case studies are focussing on the period after the Cold War, but to place the examination in the context of the historical complexity of bilateral relations, each case study begins with a brief presentation of the political developments in the country from a historical perspective. Of course, a special focus lies on the historical link between a country's political developments and China.

Section two turns to the independent variable, the domestic political structure in the post-Cold War period. This section describes the domestic political structure through the lens of the selectorate theory and defines the members of the winning coalition.

Section three builds a descriptive bridge between the independent and the dependent variables, thereby shedding some light on the causal mechanism. This section specifically illustrates the links between Chinese actors and their counterparts in the respective country. Against the background of section two, it describes the targets and instruments of China's external relations from an actor-centred perspective and tries to relate the exchange of policy concessions by the leaders in the observed countries to gains they receive from China.

In section four, the dependent variable is examined. This section investigates whether and how the Chinese government can realize its foreign policy interests in a given country. Here, the compliance of a government with Chinese objectives is examined. As explained in section 6.2.2, three different Chinese foreign policy

objectives are investigated. Accordingly, this section is subdivided into three parts, each concentrating on one of them.

Finally, section five summarizes the findings of the examination. These findings will then be compared in chapter 10 where I draw conclusions with regard to the validity of H1.

7. Case study I: Burma

7.1. Historical background

The visit of the Pyu delegation to Chang-an (the capital of the Tang dynasty) in 802 A.D. is considered the first confirmed diplomatic contact of the Burmese kingdom with China (Tin Maung Maung Than 2003). During the centuries that followed, the kingdom of Burma was invaded by Chinese empires several times. In the 13th century, Burma was occupied by the Mongol Empire for fifteen years, and in the 17th century, ‘hostilities between the Ming emperor and the Manchus spilled over into Myanmar for a short while’ (Tin Maung Maung Than 2003).

In the 19th century, Burma fought three wars against the British (1824-26; 1851-52 and 1885-86) and for half a century it was a ‘province’ of British-ruled India. In 1937, it became a separately administered British colony. During the Second World War it was invaded and occupied by the Japanese, later to be re-captured by the British (Baily 2007). Eventually, it regained its independence from the British in 1948.

The British legacy left Burma with a parliamentary democracy oriented along the lines of a socialist development agenda. ‘Not widely favored in the West after independence due to its choice of polity, it was, however, expected to have a bright economic future due to an education system that was, at that time, deemed the best in Asia, and its bountiful agricultural production’ (Baily 2007). But what was lacking was a common national identity in a multi-ethnic society (Dukalskis 2009). From the beginning, the independent state of Burma suffered from ethnic and communist insurgencies.

The internal treat of communist insurgency and ethnical rebellion were aggravated by the retreat of the defeated Chinese Koumintang troops into Burmese territory, the Shan State in 1949. Relations with the newly founded *PRC* thus

became delicate and Burma's premier U Nu tried to prevent an adverse Chinese reaction by cultivating his personal diplomacy to Chinese leader Zhou Enlai (Tin Maung Maung Than 2003). These friendly relations to the *PRC* were maintained throughout the 1950s despite several changes in government in Burma and despite Chinese incursions into the north of Shan State and Chinese support for the Burma Communist Party (*BCP*) rebels (Tin Maung Maung Than 2003). However, during China's Cultural Revolution, these good bilateral relations between Burma and the *PRC* cooled down.

In 1962, against the background of multiple ethnic insurgencies which threatened the nation's unity, General Ne Win staged a coup (Clapp 2007). The subsequently established military Revolutionary Council abolished the constitution and introduced socialist-state structures with the hierarchical rule of a single-party (Baily 2007; Tin Maung Maung Than 2003). During the years that followed, Chinese residents were expelled from Burma being perceived a threat to the well-being of ethnic Burmans. Anti-Chinese riots also evolved in the late 1960's when ethnic Chinese tried to extend the Chinese Cultural Revolution to Burma (Clapp 2007). Moreover, 'Burma's ruling generals earned their first medals fighting Chinese-supported communist insurgencies along the border between 1968 and 1978' (Clapp 2007, 12).

In 1974, the Socialist Republic of the Union of Burma was established under a new constitution by the Burma Socialist Programme Party, the only political party under the rule of Ne Win. But the socialist program failed badly. In reaction to economic failures and harsh repression of dissent public unrest emerged. For instance, after the government's decision to demonetize large-denomination kyat bills, student-led mass protests broke out in 1988 (Clapp 2007). The students were brutally repressed by the military causing an estimated 3,000 casualties (Bünthe 2008). With the promise to restore law and order, the military finally took control over the government that was by then on the verge of collapse (Tin Maung Maung Than 2005a, 76). A new military junta emerged. In 1989, the State Law and Order Restoration Council (*SLORC*) changed the name of the country from Burma to the Union of Myanmar.¹

After the 1988 coup, bilateral relations with China were rapidly re-established with the visit of General Than Shwe, *SLORC* leader number two. This rapid

¹I will continue to refer to Burma, not for political reasons, but for practical ones.

re-establishment of relations was facilitated by the fact that the Chinese support for the Burmese communists had been phased-out in 1985.

With the intention to return the country to a military-controlled parliamentary government which had prevailed under Ne Win, the military junta (the *SLORC*) held elections in 1990. These were, however, won with a landslide victory by the oppositional National League for Democracy (*NLD*). The military was unwilling to fully transfer power to the *NLD*, thus admitting the elected representatives only the authority to draft a new constitution. An agreement ‘on the terms of national reconciliation and the modalities of democratization’ failed (Tin Maung Maung Than 2005a, 78). This failure has dominated Burma’s domestic politics since then.

7.2. Domestic politics

In this section, Burma’s leaders and their support base, the winning coalition, are presented. As a matter of fact, the political system in Burma is based on the rule of a military junta. For a long time, there was no constitutional framework. That is, since General Ne Win’s suspension of the constitution in 1962 the country has been ruled by decree.

Only in 2008 a new constitution was adopted.² Though this constitution formally introduced multi-party elections, it de facto formalized the power position of the military. The constitution had been drafted by the National Convention, consisting of 1076 hand-picked representatives with connections to the Tatmadaw, the Burmese military, or to its mass-organization, the Union Solidarity and Development Association (*USDA*), and was boycotted by the *NLD* (Matthews 2006). It clearly aimed at entrenching the power of the military: A quarter of seats in legislative bodies were reserved for the military and control over a new powerful security council was assigned to the commander-in-chief, who also controlled key security ministries and other extraordinary powers (International Crisis Group 2010, 1). In addition, the military had the privilege to choose one out of three elected presidential candidates (Htet Aung 2009).

²The constitution was adopted by referendum which was held under the adverse conditions provoked by Cyclon Nagris.

Clearly, the constitutional framework was designed to ensure the military dominance over the country in the future, and the elections were designed to dress the regime with legitimacy.³ Given the constitutional design which ensured the dominance of the ruling junta over the composition of the government and given the fact that it did not give substantial power to the electorate, the analysis with or without the constitution would probably come to similar conclusions. For reasons of simplicity, the following analysis is based on the political system in place until the constitutional referendum in 2008.

Until 2008, a small circle of military leaders formed the leadership in Burma. In 1997, an internal re-shuffle led to the removal of several corrupt senior military officers and the *SLORC* reconstituted itself as the smaller and more unified State Peace and Development Council (*SPDC*) (Tin Maung Maung Than 2003; Hlaing 2005; Dukalskis 2009). Only twelve high-ranking militaries remained in the *SPDC* (BBC News 2007). But the political system in Burma was highly personalized. Effectively, two men controlled the government which was also staffed with members of the armed forces. Its number one is 77 year-old chairman Senior General Than Shwe. He 'has managed to acquire unquestioned sway over the country's military and government structures. He carefully manipulates those around him, keeping potential rivals off balance with sudden, unexpected decisions made after

³After a first attempt to draft a new constitution in the 1990s had failed, in 2003, General Khin Nyunt introduced a seven-point road map to democracy, a reform plan aiming at a gradual transformation to 'disciplined democracy'. This road map foresaw the National Convention to draft a new constitution and its ratification in a referendum in May 2008. Between 2000 and 2003, secret talks between the opposition leader Daw Aung San Suu Kyi and the junta were held about the establishment of a multi-party political system (Clapp 2007). But the purge against General Khin Nyunt on the eve of the National Convention marked a drawback in the process of reconciliation and was followed by a wave of paranoia amongst the military ranks. The junta dismissed the agreement General Khin Nyunt had reached with the *NLD*. After Khin Nyunt's removal not only the domestic, but also the international situation immediately became fiercer. International *NGOs* and *UN* agencies were denied access or were simply thrown out of the country and the relations with *ASEAN* remarkably cooled down (Clapp 2007). In 2005, the capital was removed from Yangon to the remote and undeveloped Pyinmana, which subsequently was renamed Naypyitaw.

Parliamentary elections were held on November 7 2010, only one week before the expected release of opposition leader Suu Kyi. The elections allowed the transfer of power to a civil government in late March 2011. It also stipulated the disarmament of the ceasefire groups which were supposed to participate in the elections as civil parties. After the 2010 elections a generational change and power transition to a younger generation within the military was observed.

little if any consultation with his colleagues' (Clapp 2007, 4). Number two was 73 year-old Vice-chairman Deputy Senior General Maung Aye, a hardliner.

Even though two reshuffles took place in 2010 in preparation for the elections, these two generals were left in their positions while others were deposed and replaced by a younger generation. The fact that they stayed in power while other much younger generals had to resign caused significant disagreement within the military (Wai Moe 2010a).

7.2.1. The coalition: The military, the military, and the military

With respect to the winning coalition, the armed forces were the crucial instrument to maintain the government's power. At the level of individual members of the leadership circle, the personal power of single junta members was based upon the support of fractions within the armed forces. Seen from a more systemic level, military personnel was also the backbone to run the state: it was placed in all relevant structures in the state administration and the bureaucracy and also controlled the country's economy. Finally, the mass of soldiers and low-ranking officials lent itself as an instrument to carry out the junta's orders, to repress the population and the opposition. The following sections, will elaborate on these multi-dimensional functions of the military.

First of all, personal loyalties from specific military fractions were crucial for individuals within the leading circle to assert their authority vis-à-vis internal competitors. This point was illustrated by the purge of General Khin Nyunt who was the third in the top leading circle until 2004. His purge shed some light on the fragile power balance between different competing fractions within the military - even though it was argued that there was considerable coherence among the military leadership in Burma (Dukalskis 2009). Khin Nyunt, chief of Defense Intelligence Organization and former Prime Minister, was considered the most open and moderate of the leading triumvirate. He was in charge of negotiating the conditions for the establishment of a multi-party system with the opposition and he was managing the opponent ethnic rebel groups (both will be discussed below). In 2004, he was arrested and sentenced to 44 years in jail and

house arrest respectively by the other leading generals. Observers reasoned that he was ousted for fear of his growing power acquired through his leading role in the political reform process (Clapp 2007) and his pro-Chinese policies (International Crisis Group 2009). The fact that he disregarded the hierarchies of seniority and did not sanction his subordinates in the intelligence corps when they challenged a regional commander loyal to General Maung Aye delivered a welcome pretext for Khin Nyunt's detention (Hlaing 2005). His power base, the secret service, was subsequently dismantled. Consequently, 'more than 30,000 military forces were discharged, demoted, or sentenced to long jail terms. Several ministers were fired and threatened with punishment. Many members of the business community, who had profited from Khin Nyunt's patronage were disenfranchised' (Clapp 2007, 8). Intelligence units became integrated under the control of regional commanders and several younger generals loyal to Than Shwe were promoted into the leading circle (Hlaing 2005). Hence, personal loyalties to Than Shwe were rewarded and thus strengthened.

The second function of the military was to control all crucial positions to run the state. Around the leadership circle, several hundred high-ranking military officers and their families formed the body of the ruling elite (Niksich 2007, 13) which controlled the bureaucracy and the economy. First of all, the military controls the administration. Abolishing the meritocratic system inherited by the colonial rule of the British, the military leadership initially positioned members of the armed forces in central ministries. Many civil servants were already forced to leave in the aftermath of the 1988 coup for political reasons, but a new wave of militarization of ministries at all levels was observed in the mid 2000s (Clapp 2007).

Of course, control over the state apparatus did not only ensure political loyalty and control, but also offered rent-seeking opportunities for supporters. In principal, salaries in the public administration and the military were meagre, but office-holders could abuse official positions for rent-seeking and corruption. Perry (2005, 193) describes corruption as the core component, even a core value for individual and official decision making in Burma. Corruption had a long tradition in Burma, but had massively increased after the gradual opening up in 1988. In international comparison, Burma was the third most corrupt country in the world, outreached only by Somalia and Afghanistan according to Transparency Interna-

tional's Corruption Perception Index (Transparency International 2009). 'To the extent that individual military officers are enriching themselves lavishly from their positions in government, it is largely at the highest levels, both nationally and regionally' (Clapp 2007, 9).

Also, the ruling military elites had a thorough grip over the economy. The *SPDC* reformed the plan economy after it came to power in 1988. However, instead of fully liberalizing it, the *SPDC* established new ways to keep control over the economic activities in the country. For example, it funded new conglomerates such as the Union of Myanmar Economic Holdings Limited and the Myanmar Economic Corporation to pursue the military's business interests (Bünthe 2008). High-ranking military officers also managed these state corporations and formed joint-ventures with foreign investments (Niksch 2007). For example, in 1991 alone, 'signing bonuses' for contracts in the oil and gas sector have reportedly swept US\$5 to US\$10 million into the pockets of the military officials. The gemstone sector earned US\$3.5 million in 1992 (Perry 2005).⁴

Clearly, the symbiotic relationship between business tycoons and the military produced strong vested interests in Burma's economy and the clientelist networks. As a result, 'nepotistic practices, which involve patronizing only the army-bred, ex-military officers and business-minded civilians who have unquestioningly embraced the primacy of the military class' ensured a strong loyalty towards the military junta (Zarni 2010). Accordingly, most of the country's top 10 influential and richest 'businessmen' were army-bred or the off-spring of the regime's highest ranking generals (Zarni 2010).

Taking into account its illegitimate grip on power, the junta's rule rested to a considerable extent on the use of force and threat. For this, a massive military apparatus was created, the Tatmadaw. With almost 500,000 members, the Burmese armed forces were among the largest in Southeast Asia. The members of the Tatmadaw enjoyed privileged treatment. Military expenditure was as high as 30% of the national budget and in addition to the lucrative positions held by members of the armed forces, the military enjoyed the services of separate health

⁴In preparation to a new era heralded with the new constitution and the 2011 elections respectively, and under the pretext of privatization a mass sell-off of and hand-over of public assets to businessmen close to the generals took place. It was interpreted as an act of uncertainty of post-election rent-seeking opportunities (Turnell 2011).

and educational systems (Clapp 2007).

‘In a wholly peculiar way, the armed forces have become a kind of ‘caste’ in Myanmar society, comprised almost completely of BaMa [the ethnic group of Bamar] soldiers. Ethnic minority troops are uncommon, and it is not possible for a non-Burmese or a non-Buddhist officer to rise above the rank of Major. [...] A soldier’s entire family (remarkably, up to 60 people) is technically part of an ancillary militia, obliged to undergo some form of fundamental infantry training. With approximately four million Burmese associated with the *SiTat* [Tatmadaw] (both personnel and family members), this represents a significant sector of the population with an interest in seeing itself empowered and with continuing access to perquisites’ (Matthews 2006, 213).

Yet the mere loyalty of its military winning coalition generated by patronage and nepotism did not suffice in securing the power of the military regime. Equally important was the use of force to dissolve dissent. In a nutshell, the broader population outside the Tatmadaw was not only excluded from the coalition, but it was also marginalized and repressed.

On the one hand, organized opposition, namely the activists of the 1988 protests and the members of the *NLD*, were prime targets of state repression. On the other hand, systematic violence, human rights violations, rape, forced evictions and state-forced labor were used to deter the broader population from upheaval.

Political activity was repelled by repressing civil and political freedoms and media censoring. Many *NLD* intelligentsia was arrested during the 1990s. Most famously, opposition leader Aung San Suu Kyi has spent more than twelve years in house arrest since 1990. In 2002, the ‘lady’ was released from house arrest and embarked on a tour to the ethnic areas to consult with local *NLD* leaders and ethnic representatives, but a renewed crackdown on the opposition ended this newly achieved freedom following the Dipeyin incident, a violent clash between government mobs and the *NLD* in May 2003. After that, a decline in political activism among students and monks was observed in 2005 on the basis of a small survey (Hlaing 2005).

When necessary, the junta did not shy away to use pure violence as exemplified by the repression of mass demonstrations in 2007. Demonstrations broke out following the increase in fuel prices which caused high inflation. These demonstrations were triggered by a violent incident between security forces and protesting Buddhist monks dressed in orange. After a month of growing support among ordinary citizens for the protestors which had changed objectives from the economic to the political, the ‘Saffron Revolution’ was brutally knocked down by the military (Clapp 2007).

It is noteworthy, however, that in addition to pure repression, the junta also tried to increase control over the population by less violent means. For example, the government created the *USDA*, a mass-organization comprising more than 24 million members. With its community development and educational components it sought to make membership attractive and especially tried to co-opt the youth. Nonetheless, it relied to a large extent on conscripted membership and was thus not a participatory and inclusive organization. In 2010 the *USDA* was transformed into the Union Solidarity and Development Party under the leadership of Prime Minister Thein Sein in order to participate in the 2010 elections (BBC News 2010).

7.2.2. The ethnic rebel groups

So far, the struggle for power has been described along the distinction between in- and outsiders of the coalition. It is important to note that this perspective fails to grasp the full complexity of Burma’s domestic politics. In addition to these lines of conflict between the members of the military and the oppositional forces, a second cleavage along ethnic lines was important. While the former was a struggle between the powerful and the powerless within the society of ethnically Burmese, a second dimension of conflict arose between the majority ethnic group of Barmans and several ethnic minority groups. A number of these ethnic minorities effectively challenged the rule of the military junta and were therefore excluded from the coalition too.

Burma is inhabited by 135 officially recognized indigenous ethnic groups. Around 65% of the population is Bamar. The country is divided into 14 administrative regions comprising seven states which were named after the major ethnic groups in

that area and seven divisions with Bamar majorities. Due to topography as well as differing political, economic and socio-cultural practices, a supra-ethnic Burmese identity has never evolved (Tin Maung Maung Than 2005a, 69). As a consequence, several ethnic groups have been seeking independence from the Union of Myanmar even since its independence in 1948.

In 1989 or thereafter, the central government successfully reached a level of understanding with 27 of these ethnic groups pushing them to collaborate. After the coup in 1988, the *BCP* had split into four groups along the lines of ethnic groups and with the ceasefire agreements they transformed into legal organizations. Far from being able to control these rebel groups, the central government granted them wide autonomy in exchange for their collaboration, including the maintenance of military forces and the allowance to produce gems, lumber and narcotics under a profit sharing agreement. As a result, some of the minority areas were effectively ruled by patriarchal organized armed rebels relying on drug production (Hlaing 2005). In 2002 alone, the Wa minority military forces earned an estimated US\$250- US\$300 million from heroin smuggling into Thailand and another US\$300 million from methamphetamine production (Niksich 2007, 9).

The road map to democracy with the new constitution that attribute all competences of national defence to the military - hence requiring the demilitarization of the armed groups that were in power after the ceasefire (henceforth referred to as ceasefire groups) - fuelled the issue of ethnic separatism. Only some smaller groups accepted the *SPDC*'s request to disarm and to transform into lightly armed border guard militias under Tatmadaw command in 2009. But given the lucrative business interests at stake, three of the largest groups, the Wa, Kachin and Shan refused to do so. In spring and summer 2009, in an attempt to consolidate control over the entire country before the elections and under the pretext of cracking down on illegal narcotics and arms production, the central government launched military attacks against two separatist groups, the Karen National Liberation Army and the Myanmar National Democratic Alliance Army (MNDAA), along the Thai and the Chinese borders respectively.

The strongest opponent to the border guard proposal was the United Wa State Army (*UWSA*) with more than 20,000 troops and great guerrilla potential. In order to increase its leverage over the ceasefire groups, the junta started to build

a railway from southern to eastern Shan State to ease the mobilization of military equipment into the Wa territory (Wai Moe 2010b). It also tried to force compliance with the border guard force plan by closing the border to Thailand, thereby disrupting cash flows from border trade (Weng 2010). However, after the *NLD* announced its boycott of the elections, some of the ceasefire groups also refused to allow elections in their territory (Weng 2010; Myo Maung 2010; Turnell 2011).

Summary

Lacking any constitutional framework for most of the period under investigation, the domestic politics in Burma are relatively straight-forward. There was no formal selectorate. Informally, the survival of the military government was dependent on loyalties within the armed forces, the higher ranks of which formed the winning coalition. The military occupied all state bodies, and controlled the bureaucracy and the economy. Many ex-militaries or persons with strong ties to the military rose as a new class of business tycoons.

Those who were not in the Tatmadaw were excluded from the coalition, reducing the coalition to a very exclusive, small size elite. Expelled from the coalition were also the armed ethnic rebel forces who did not accept the rule of the military junta and managed to bar the central government from their regions.

7.3. China in Burma

The previous sections presented the constituencies of the Burmese winning coalition. This was a small coalition which was very much relying on support from the armed forces. Against this background, the nexus between Chinese and Burmese actors is investigated. This section is divided into two subsections: the first section looks at China's engagement with the ruling generals and their military supporters. The second section investigates China's approaches towards those who are outside of the winning coalition, the ethnic rebel groups, and the democratic opposition.⁵

⁵Much of this section is based on a detailed report of the International Crisis Group (2009).

7.3.1. China and the Burmese coalition: The military

The relationship between the leaders of the *CCP* and the Burmese junta was complicated. Some of the complexity was rooted in the spillovers of China's civil war to Burma and the subsequent attempts by the Chinese communist regime to spread revolution, as well as in their support of communist insurgencies in Burma.

As has been mentioned in section 7.1, the *CCP* started incursions into Burma's northern Shan State during the 1950s in order to retrieve Kuomintang troops which had retreated into Burmese territory after their defeat. Later, during the Chinese Cultural Revolution, the relations to the *CCP* were severely disrupted. In 1954, Chinese Premier Zhou Enlai had reassured the Burmese government under Prime Minister U Nu: 'Revolution cannot be exported, and any attempt to export revolution must suffer defeat' (Guo 2007, 30). Yet a decade later, Chairman Mao Zedong actively encouraged regime change abroad. The Chinese support for the *BCP* was covert because both sides had signed a treaty of non-interference earlier. The support materialized in trainings for communist party leaders, the supply of modern weaponry, infrastructure support, several hundred advisors from the People's Liberation Army (*PLA*), and thousands of Chinese soldiers (Guo 2007). When ethnic Chinese, encouraged by the Chinese embassy, tried to spread the Cultural Revolution further into Burmese society in 1967, violent anti-Chinese riots unleashed. Diplomatic relation between the two governments nose dived subsequently in the period thereafter (Guo 2007). Only in 1985, the *CCP* assistance to the Burmese communists was phased out (Guo 2007). This record of attempts to export the Communist revolution fuelled the junta's mistrust of the Chinese leaders.

In the late 1970s, under the rule of Deng Xiaoping, Sino-Burmese relations formally normalized, but it was often emphasized that it was primarily the international unpopularity of the Chinese and the Burmese governments in the wake of repression on democratic upheavals that helped to consolidate the relationship in the late 1980s (Tin Maung Maung Than 2003). In 1989, General Than Shwe first visited Beijing. In 1994, then Prime Minister Li Peng, outlawed in the West for his hard stance with respect to the Tiananmen suppression, visited Burma. The common approach vis-à-vis their domestic oppositions was the foundation on which a convergence of interests developed between the leaders of the two countries

in opposing ‘Western values’ that threatened interference in their ‘internal affairs’ (Tin Maung Maung Than 2003).

Since then, the Chinese along with the Israeli government has become the largest supplier of weapons and military equipment to the Burmese government. Between 1989 and 1995, the Burmese junta increasingly invested in the military; tripling the national defence spending while the country experienced economic stagnation (Guo 2007). In 1990 and 1994, arms deals with China involving weapons and military equipment having an estimated value between US\$400 million and US\$1.2 billion were reported. Due to Chinese weapon supply on favorable terms, the junta was able to expand and improve its military capability (Tin Maung Maung Than 2003). High ranking *PLA* officials often visited Burma (Guo 2007) and the Chinese military has been involved in improving existing light equipment, and in upgrading in terms of force multiplication for conventional war fighting. But it also provided the Burmese army with training in the technical use of weapons and weapon systems (International Crisis Group 2009; Chenyang and Fook 2009, 21).⁶

In light of my theoretical approach, the close link between the two militaries in China and Burma appears as a primary example for the exchange of private goods between the two small winning coalitions. The Burmese generals received military assistance at favorable terms from China, a good that was doubtlessly targeted at their narrow needs and with which they could improve the status of their supporting winning coalition. Given the desolate condition of the Burmese economy, this flow of resources to the barracks would not have been possible - at least not to such an extent - without the favorable deals given by the Chinese. One can therefore assume that the Chinese proliferation of military equipment contributed to the survival of the military junta by increasing their capacity to fend off domestic competitors and to distribute targeted goods to their coalition members.

But the Chinese shore up of the junta went beyond military support and also materialized in high-level diplomacy. In 2000, on the occasion of the 50th anniversary of bilateral diplomatic relations, Chinese Vice-President Hu Jintao paid

⁶Chinese sources usually stress that the Chinese arms sales are focused on missiles, aircraft and other heavy weaponry, but not on light weapons that can be used to suppress the population (Chenyang and Fook 2009; Ruisheng 2010). There are differing interpretations on that in the literature.

a visit to Burma, just to be followed by President Jiang Zemin in 2001 (Guo 2007). Premier Wen Jiabao visited Burma in 2010. The Burmese generals have been visiting Beijing almost every year. They were officially received by President Jiang Zemin or Hu Jintao or Premier Wen Jiabao respectively in 2003, 2004, 2006 and 2010. The leaders of both countries met on numerous occasions during multilateral conferences in Asia and countless high-ranking Chinese delegations, among which the State Councillor Tang Juaxuan, members of the Political Bureau of the *CCP* Central Committee, the vice chief-of-staff of the *PLA* and other militaries visited Naypyidaw. China's foreign minister Yang Jiechi visited Burma twice in 2008 (International Crisis Group 2009).

Importantly, the Chinese government has also protected the regime against external pressure from the *UN*. In early 2007, the Chinese government, together with Russia, vetoed a *UN* Security Council resolution tabled by the U.S. and Britain on the ground that the issue was an internal Burmese matter (Zhao 2007).⁷ Without doubt, this protection was also intended to prolonging the political survival of the generals. However, since the Chinese government was not the single force to act in favor of the junta, it is easy to argue counterfactually that due to Russia's opposition the generals would have survived a destabilizing *UN* resolution in any event.

During the high-level meetings between Chinese and Burmese officials, a number of bilateral agreements on cooperation in a wide range of issue areas were announced, most often, however, without publishing further details. In 1994, a trade agreement of bridge and railway equipment worth US\$50 million was reached. In 2003, a major agreement on US\$200 million of preferential loans for a hydro-power plant was published, and a partial debt relief was announced in 2006 (Liu 1994, 2003, 2006; Maung Aung Myoe 2007). An analyst in Singapore has calculated on the base of Burmese data that between 1989 and 2006, the PRC government provided in total over Yuan 2.15 billion and US\$400 million in various forms of loans.⁸ In addition, debt relief of Yuan 10 million and Yuan 200 million in grant aid was

⁷However, the fact that the Chinese government allowed a critical presidential statement of the *UN* Security Council later that year was interpreted as a break with the Burmese government (Holliday 2009).

⁸Before 1988, Burma had received Chinese development assistance loans of US\$64 million in 1979, US\$15 million in 1984 and Yuan 80 million in 1987 (Maung Aung Myoe 2007).

awarded by the Chinese (Maung Aung Myoe 2007, 19). Maung Aung Myoe (2007) also found that major development assistance was only paid after general Than Shwe's 1996 state visit to Beijing.

The Chinese cooperation also extended to projects on the development agenda of the Burmese authorities (Tin Maung Maung Than 2003). They focused on agricultural technology, agricultural machinery manufacturing, fertilizers and power plants, but also included the renovation of Yangon National Cultural Theatre and projects of communications. From 2003 onwards, hydro-power projects became a prominent entry. Several infrastructure projects such as the dredging of the Yangon and the Ayerwaddy Rivers to enable navigation of 20,000 tonnage vessels, several railway connections and a number of roads, were realized with Chinese assistance. Finally, China's interests in Burma's natural resources were reflected in a US\$ 200 million loan in 2006, part of which was designated for the procurement of drilling materials for oil drilling rigs.

'Through bilateral development assistance, since 1988, China helped the Myanmar government build eight out of nine new sugar mills [US\$ 158 million], 20 new hydroelectric power plants [US\$ 269 million], 13 out of 45 new factories under the Ministry of Industry-1 [US\$ 198 million], and 12 out of 21 new plants under Ministry of Industry-2 [US\$ 137 million]. In addition, China also upgraded six factories under the Ministry of Industry-2 [US\$ 346 million], supplied six ocean-going vessels, and built a dry dockyard [US\$ 25 million]. In 2006, Chinese firms are building 7 out of 11 new hydro-electric plants in Myanmar [US\$ 350-400 million]' (Maung Aung Myoe 2007, 23).

In general, this assistance was uniquely channelled through the *SPDC*, another factor that directly improved the survival of the military junta. In the industrial sector, the Chinese assistance mainly helped to establish Burmese *SOEs* (Maung Aung Myoe 2007). For example, the Burmese Ministry of Industry-2 increased its number of factories from nine to 21 during the period from 1988 to 2006. All of these factories were financed through grants, loans, and bank guarantee notes from the Chinese government (Maung Aung Myoe 2007). Moreover, the Chinese state export subsidies played a crucial role in penetrating the Burmese market

which became heavily dependent on its economic ties with China.⁹ The strong motivation to use loans and grants in order to promote Chinese exports becomes very apparent in Burma.

Again, the exchange of private goods between the two small winning coalition governments in Burma and China helped to satisfy the crucial coalition members in Burma. The Burmese leadership could reap profits or extracts assets from the industrial projects constructed with the help of Chinese, because funds were allocated under the direct control of the Burmese authorities. These gains could were then redistributed to the winning coalition members and thereby increased the political stability of the small coalition.

On the other hand, the profits gained from these exchanges filled at times directly the pockets of coalition members at the Chinese side. A prime example was a grant of Yuan 30 million in 2004 which was given partly to procure a mobile X-ray container vehicle inspection system (Myoe 2007). The mobile scanners, designed for the custom service to scan containers were most probably sold by the Chinese Nuctech Co., a *SOE* which ranks among the world leaders in radiation and radiation technology. The former president of this company was Chinese President Hu Jintao's son, Hu Haifeng. In 2009, the European Union and officials in Namibia investigated against the company because of allegations of price-dumping and corruption.

Despite this protection and support by the Chinese government to the Burmese junta and the public show-off of close ties, it seemed that both the Chinese and the Burmese governments did not have a very cordial relationship. Analysts interpreted the fact that the Burmese generals never travelled to China for medical treatment as an indication for their continuing distrust (Wai Moe 2010c). Supposedly, dozens of Taiwanese intelligence agents working in Burma were co-opted by the regime to provide the generals with information on China (Wai Moe 2010c). More strikingly, in several instances the Chinese government found itself confronted with decisions taken by the junta without being informed in advance. It was taken by surprise by important decisions such as the 2004 dismissal of former Prime Min-

⁹It was believed that the no or low interests on commercial loans and suppliers' credits from Chinese *SOE* and state banks were in reality added to the cost of the project (Maung Aung Myoe 2007)

ister General Khin Nyunt, the relocation of the capital to Naypyidaw in 2005, and the 2009 military attack in Kokang (Jagan 2009; Holliday 2009; Wai Moe 2010c). At the same time, one of the suspected motivations to purge General Khin Nyunt was his pro-Chinese stance. As a consequence, the Chinese were subsequently deprived of a link to the *SPDC* and the gap between the Chinese and the Burmese government widened (International Crisis Group 2009, 32).

From the Chinese perspective, the Chinese government was also dissatisfied with the *SPDC*'s rule, its economic mismanagement and its intransigent dealing with the domestic opposition which created much international attention and criticism. This criticism, in turn, also fell back on China. To improve political stability in Burma, the Chinese government favored political reforms within the existing structures. This essentially meant a continuation of the small winning coalition, but with a more civilian face and with some form of participation of the varying domestic oppositional players. These reforms were envisioned to increase the inclusiveness and the legitimacy of the Burmese government. In order to achieve this, the Chinese government considered necessary domestic reconciliation in Burma (Chenyang and Fook 2009). This reconciliation was meant ensure that the domestic opposition was involved in the political process in the future, that the central government would find a more sustainable solution with respect to the ceasefire groups and that it generated more legitimacy among the broader population.

7.3.2. China and the disenfranchised

The democratic opposition

It was the Chinese ambassador who was the first to welcome the party to power after their election victory in 1990 (Ruisheng 2010). However, Burma's democratic opposition movement and the *NLD* leader Aung San Suu Kyi in particular did not enjoy specific love from the Chinese government. The *NLD* was considered too Western oriented. Moreover, a democratic political order, in general, would enjoy much support from and probably be much more susceptible to Western influence, which was generally not in the Chinese interest.

This did not mean that the Chinese government agree with all policies of the

military junta. Even though not willing to mediate between both sides, the Chinese government put pressure on the military junta to enroll in a process of domestic reforms and reconciliation. On the one hand, it called on the junta to hold direct talks with the opposition (International Crisis Group 2009, 5). On the other hand, the Chinese government voiced calls for improved governance and reconciliation at the international stage by explicitly supporting visits of *UN* special rapporteurs and the *UN* good offices mission. In 1993, the Secretary-General obtained the mandate to use his good offices to help implementing the seventeen *UN* resolutions on Burma which have been passed by the General Assembly since 1991. More than two dozen visits to Burma have been undertaken by three successive special envoys since 1995. Additionally, several special rapporteurs on human rights and other issues visited the country. China assisted these visits by, amongst others, arranging visas and urging the junta to grant access to the leadership, the democratic opposition groups and the ethnic minorities.

Even though China's backing of the *UN* good offices mission significantly helped the *UN* and thereby willingly or unwillingly promoted the cause of the opposition, the Chinese government however stayed away from providing the democratic opposition with the kind of international support that it granted to the *SPDC*. The Chinese government approved a Security Council statement and a *UN* Human Rights Council resolution after the violent crack-down on the Saffron revolution in 2007, but urged the removal of several demands from the initial draft, including the release of opposition leader Aung San Suu Kyi.¹⁰

Nonetheless, also direct interaction between the Chinese government and the Burmese democratic opposition, including the *NLD*, existed. These contacts which reportedly increased after the renewed detention of Aung San Suu Kyi in 2003 and the purge of Khnin Nyunt in 2004, were described as 'a mix of intelligence gathering, reassurance and relationship building' (International Crisis Group 2009, 9). Accordingly, the Chinese government used these contacts to gather information on the groups themselves, including their funds, their links to the West and

¹⁰Moreover, in 2008, Aung San Suu Kyi was sentenced to another eighteen months under house arrest for violating the terms of her house arrest after an American had swam to her house. Even though the Chinese representation initially agreed to a press statement of the Security Council it later opposed a draft presidential statement condemning the verdict. The statement was later released in a watered-down version.

the *NLD*. They served to find out the position of the opposition on a number of issues with the government, their perception of China's engagement in Burma, but also of U.S. and Thai policies towards Burma (International Crisis Group 2009). At the same time, the Chinese agents tried to convince the groups to engage with the military government and to participate in the upcoming elections.

Hence, it appeared that the intention of the Chinese government with regard to the Burmese opposition was one of co-optation rather than of material support. The exchange between Chinese officials and these groups reportedly took place in Thailand or at the Sino-Burmese border, but also at the provincial capital of Yunnan or Beijing, to which the representatives of some of the groups were invited. 'The groups are treated very well during trips to Kunming or Beijing, hosted in top hotels and treated to tourist attractions. The opposition groups note that the level of sophistication of the dialogue is much greater in Beijing than in Kunming' (International Crisis Group 2009, 10).

To a certain extent, China's support for the current small winning coalition and its preference to stabilize the given regime through reform was also reflected in its dealings with the democratic opposition. Not only did it try to convince the opposition to participate in the elections, the Chinese reportedly also asked Aung San Kyi whether she 'could be flexible and whether she might be able to accept a role less than head of state, in which she could exercise influence but could also be reconciled with the army's position' (International Crisis Group 2009, 10). Obviously, the Chinese approach tried to make the democratic opposition more willing to accept its inclusion in the existent winning coalition and to let go its aspirations to displace the current government. It was therefore not surprising that no transfer of resources from China to the Burmese opposition was observed.¹¹ The Chinese strategy targeted at increasing the incentives for the opposition to participate in the existent coalition rather than increasing its capability to reward its own loyalists. The latter could have challenged the current government in the long run.

¹¹In the personal reflections of a former Chinese ambassador to Burma, he acknowledged that back in 1988, he did not consider Aung San Suu Kyi's request to close border trade with the Burmese military under the pretext of technical problems. However, he confronted the military government with a call for national reconciliation between the military and the democratic opposition (Ruisheng 2010).

The ceasefire groups

Just as the democratic opposition challenged the power of the central government, so did the ethnic ceasefire groups. The Chinese government had connections to a number of rebel groups. The relationship between the Burmese ethnic rebel groups and the Chinese communist leadership dated back to the 1960s when the *CCP* actively supported communist revolutions elsewhere. At that time, several ethnic minority groups, several of which are ethnical Chinese located along the Sino-Burmese border, fought together under the umbrella of the *BCP*. After China had stopped its assistance to the *BCP* in 1985, the party disintegrated into ethnic rebel groups that financed themselves through poppy cultivation, opium trade, and lumber and gem production. As mentioned in section 7.2.2 these armed militias never submitted to the Burmese Central government, but negotiated ceasefire agreements in which they were granted a degree of autonomy.

The Chinese government claimed to maintain no direct relations with the ceasefire groups in order not to trouble its relations with the Burmese central government. However, the former comrades-in-arms in Burma had not been dropped. First of all, it is the Yunnan provincial government and intelligence agents that reached out to the ceasefire groups (International Crisis Group 2009). There were more than a dozen minority nationalities living in China's south western Yunnan province that were also dwelling in neighboring Vietnam, Laos, and Burma (Guo 2007).¹² 'Owing to geographic proximity and kinship, parts of the Shan State, in particular the Wa-controlled territory and Kogang, have a closer relationship with Yunnan than other parts of Myanmar' (Guo 2007, 51). It was reported that Chinese officials and companies had better access to some of the ceasefire areas than the Burmese central government, which often needed Chinese help to access these areas (International Crisis Group 2009, 11).

By the means of controlling the borders, the Chinese government had an effective leverage to decide upon the survival of the ceasefire groups along their borders. It allowed cross border trade even though the ceasefire groups targeted some of

¹²With respect to Burma, there were the Chinese Dai nationality with its counterpart of Burma's Shan nationality, and the Chinese Jingpo nationality corresponding to Burma's Kachin nationality. In both countries there were Miao, Yao, Yi, Wa, Hani, and Lisu nationalities, who shared the same origins and speak same languages (Chinese Embassy 2010b).

their illicit activities such as drug trade and gambling at Chinese consumers (International Crisis Group 2009, 11).¹³ The Chinese also supplied many Burmese cities along the Chinese borders with electricity, water and telecommunications. Most crucially, China did not close the border during the Burmese attack against the rebel groups in the Kogang area in the summer of 2009 and allowed the rebels along with the population to flee into the Chinese territories. In late 2009, bilateral relations between the Chinese and the Burmese central governments reached the bottom when the Burmese military junta, in an attempt to disarm the ethnic rebel groups in preparation of the 2010 elections, attacked the Chinese speaking Kokang ceasefire group. This triggered a wave of more than 4,000 refugees into Thailand and some 37,000 refugees into China's Yunnan province (Storey 2009; Seekins 2010). The Chinese government was 'extremely upset' by these spillover effects and 'furious' that it had not even been forewarned by the Burmese central authorities about this military operation (Jagan 2009).

Moreover, contrary to its official statements, the Wa minority which had the closest contact with China and was also the most powerful among the ceasefire groups, was supplied with Chinese arms. Observers asserted that the Wa were furnished with heavy weapons from China. The Chinese government did not prohibited its own *SOE* to sell arms to the Wa and while 'officials deny that it is China's policy to sell weapons to the Wa, they admit that a few 'rogue elements' from the People's Liberation Army (PLA) have done so' (International Crisis Group 2009, 11).

Given China's own problems with separatist minorities, it could hardly be in the interest of the Chinese central government to see the Burmese ethnic minorities achieving independence. To the contrary, this could potentially trigger minorities on the Chinese side to demand independence too. However, observers pointed to the diverging interests of the governments in Beijing and in Yunnan's provincial capital of Kunming. The provincial government of Yunnan and its businessmen were primarily interested in the economic development of the province and private profits and therefore preferred a weak central government in Burma. As will be

¹³At the same time, as drug addiction and the spread of HIV/Aids became a serious problem in China's southern provinces, the Chinese government started increased programmes to fight narcotics.

discussed in section 7.4.2, they negotiated projects for the depletions of Burmese timber and mineral resources against the opposition of the Burmese central government directly with the ceasefire groups (International Crisis Group 2009). The Yunnan government therefore endorsed *UN* measures to pressure the military central government (International Crisis Group 2009). With these activities, Yunnan's provincial government hazarded the negative consequences for the bilateral relations between the two central governments.

The Burmese population

As has already been mentioned, China's economic assistance was uniquely channelled through the Burmese government. It seemed there was no attempt to reach out to the broader Burmese society. Some payments for disaster relief after the tsunami in 2004 and in reaction to Cyclon Nargis were made. Other than those payments, no evidence was found of any philanthropic development assistance, donation or any other investments targeted at the broader population. In early 2005, different Chinese state organizations, through the Chinese embassy in Burma, donated more than US\$300,000 of disaster relief. But the fact that US\$100,000 of this was directly handed over to the Ministry of Defense of the Union of Myanmar suggested that at best only a fraction of this assistance reached the Burmese people. In the aftermath of Cyclon Nargis, the Chinese government sent a 50-member medical team and donated first US\$1 million and then another US\$30 million and US\$10 million of disaster relief (Xinhua 2008a; Chenyang and Fook 2009).

In addition, a student-exchange program existed between China and Burma (Chinese Embassy 2010a). But given that only 50 students were involved in this exchange annually, in a country with more than 48 million inhabitants, this program seemed to be very limited in nature and was probably targeted at the elite.

With respect to the Chinese economic engagement in Burma, only few benefits accrued to the population. 'Local Chinese businessmen openly admit that what they are doing is not better than previous colonial powers' (International Crisis Group 2009, 23). Since Chinese companies focused on the extractive sector, economic development was not enhanced in the country. Moreover, even the large

infrastructure projects were carried out by thousands of shipped-in Chinese labors, creating only very few jobs if at all for the Burmese population.

‘The lack of transparency and available information on land acquisition, environmental impact and displacement caused by Chinese hydropower and mining projects as well as oil and gas explorations underscore the concerns of environmental and human rights groups. Chinese companies that operate abroad often do not conduct the required assessments that are standard for international operations. Chinese infrastructure and construction projects are often accompanied by increased military presence in project areas, frequently leading to large scale forced labor, forced relocation and human rights abuses’ (International Crisis Group 2009, 23).

The above-mentioned negative effects of Chinese investments in Burma were rather indirect. However, the Chinese anti-narcotic policy exemplified that the Chinese did not have the intention to further the position of the Burmese population. Within the framework of the Chinese anti-narcotic policy, they directly exploited and harmed the interests of the Burmese society. In response to the growing drug and HIV/Aids problem in Yunnan province, the Chinese government adopted an anti-narcotic policy including an alternative crop project targeted at the farmers in the poppy-growing ethnic rebel groups regions. In 2003 and 2005, under pressure from the Chinese government, opium bans were enforced over the Kokang and Wa regions. Because up to 80% of the population was living on poppy cultivation in these areas, many subsistence farmers faced serious loss in income and a worsened food security situation as a consequence of the prohibition to grow poppy.

In the context of the opium ban, the Chinese government provided Chinese companies with soft loans through a national alternative development programme for investment in agriculture in these regions (Kramer 2009; Chenyang and Fook 2009). Instead of mitigating the negative effects of the opium ban on the livelihood of farmers, ‘they have promoted Chinese investment in monoplantations, especially in rubber. These projects have created many undesired effects and do not significantly profit the population’ (Kramer 2009, 1). Many Chinese companies made

arrangements with the local warlords, to provide seedlings, fertilizer, expertise, and payment for labor, while the Wa authorities provided the land and the manpower. As a result, forced evictions, relocation of people and forced labor were spurred. Other Chinese businessmen used the scheme to invest in tea or sugarcane production in these regions. They provided the seedlings, fertilizers and pesticides, charged for the road construction to the fields and forced the farmers to sell their crops back. ‘Many farmers say they were forced to work on plantations, or forced to grow these crops on their land, without clear agreements on payment. Nobody had seen a contract’ (Kramer 2009, 9).

Summary

To sum up this section, the Chinese government heavily probed up the military junta in Burma. It maintained good state-to-state relations with the military government in Burma and protected the junta against international diplomatic pressure, sanctions and interventions. In economic terms, the Chinese government provided no and low interest loans and grants to the Burmese military junta. In doing so, it created a win-win-situation. That is, this way the *SPDC* was enabled to both upgrade its military capacities and to pursue its domestic development strategy, where state industries under the control of the military and strategic infrastructure were constructed. The Chinese elites managing the Chinese *SOE* in a variety of sectors, including the military, also profited from this policy by acquiring contracts.

At the same time, the Chinese government directly or indirectly maintained relationships to the two challengers of the *SPDC*, the democratic opposition and the ceasefire groups. It is noteworthy, that the ethnic rebel groups enjoyed a close relationship with Chinese state actors, albeit not at the central, but at the provincial government level. Between the leaders of the ceasefire groups and the Yunnan provincial government a convergence of interest similar to that between the two central governments evolved. With respect to the opposition groups, the relationship appeared to attempt to co-opt individual Burmese opposition leaders without involving material support, in an effort to make these groups more willing to collaborate with the central government.

Finally, the Chinese decision-maker did not pay attention to the Burmese population at large. It was not specifically addressed by the Chinese government, and agreements between the two governments were often harmful to the local population. It was also indicative, that the Chinese government allowed Chinese business interests and the leaders of the rebel groups to hijack its crop substitution policy, the only policy that was targeted at the population.

7.4. Realization of Chinese interests

This section deals with the question whether China was successful in realizing its interests in Burma. The section is divided into three parts according to the three issue areas under investigation. The first subsections discuss the Burmese reaction to China's 'one China' policy, the Taiwan question and its dealings with the Dalai Lama. Subsection two illustrates how Chinese companies have sought access to the Burmese energy sector. Finally, subsection three investigates whether the Burmese government is compliant with China's geo-strategic interests in Burma.

7.4.1. Territorial integrity and the 'one China' policy

In both issue areas concerning the territorial integrity of the People's Republic of China, the government in Burma accommodated China's interests. It completely ignored the Dalai Lama, and only unofficially dealt with Taiwan, thereby taking on a position on the eager end of the compliance spectrum.

Burma had no official diplomatic relations with Taipei and its adherence to the 'one China' policy was reiterated regularly. Until 2000, the Taiwanese government maintained economic and cultural offices in Rangoon and Mandalay, but since these unofficial representation offices were closed down, the Taiwanese representation was driven further into the underground. It was said that a representation of their interests through informal trade offices and Chinese temples continued (Wai Moe 2010c). This was despite strong business relations reflected in the high number of direct flights between both countries (Wai Moe 2010c) and an estimated 100,000 Taiwanese citizens of Burmese origin living on the Taiwanese island. Even though in June 2009 a trade agreement between Taiwanese and the Burmese gov-

ernments was signed, with no representation facilities any more, the relationship between Taiwan and Burma has weakened.

With respect to the Dalai Lama issue, the Dalai Lama has never visited Burma. Theravada Buddhism was used by the military junta to strengthen its grip on power and to dominate over minorities, especially Islamic groups. Interestingly, the Chinese government facilitated the visit of Buddha's Tooth Relic from Beijing to Yangon and Mandalay in 1994 and 1996 (Chenyang and Fook 2009). The junta used these visits as an instrument to increase its legitimacy by showing its piety and religiosity (Tin Maung Maung Than 2003). Both visits were 'enthusiastically welcomed by the masses who flocked by tens of thousands every day to pay their respect' (Tin Maung Maung Than 2003, 207).

The Burmese junta always complied with the 'one China' policy. In 2004, the Fourth World Buddhist Summit was held in Burma without the Dalai Lama. Belonging to a different strand of Buddhism, his holiness was certainly only of limited use for the Burmese government. Yet, the Burmese government demonstrated a certain political motivation in its dealings with the Dalai Lama: For about two decades the Dalai Lama was not even mentioned in Burmese state-controlled media. But in 2009, widely interpreted as an expression of disagreement over the Chinese reluctance to stop support to the ceasefire groups, an article over the Dalai Lama was released just after the junta's crack-down on one of the armed rebel groups located along the borders to China (Jagan 2009).

7.4.2. Access to natural resources

To a significant extent, Burma's economy was dominated by China. Even though the military government started to liberalize Burma's socialist economy after its takeover in 1988, strategic industries remained nationalized. A distorted economy with direct and indirect subsidies to members of the military and state officials, control over exchange rates and the banking sector proved a valuable means to pay-off loyalists. Seemingly in preparation of the 2010 elections, the junta started to swiftly privatize the state sector, and effectively turned state assets into the private pockets of the military and its cronies. In addition to the distorted economy, the military also relied on the natural resources of the country to fill its coffers.

Burma's oil and gas sectors did not only illustrate vividly how the exploitation of natural resources in autocracies translates into private revenues that could be redistributed among the members of the winning coalition. It also showed how external players tried to make use of this mechanism and how mutually benefiting policies were exchanged between the leaders in both small winning coalitions in China and Burma. China has been very successful in extracting resources from Burma in exchange for crucial support to the leaders and their winning coalition in Burma.

To begin with, the mechanism to transform national wealth into resources for the leading junta was fairly simple: Oil and gas investments legally required a 50% joint-venture with the state-owned Myanmar Oil and Gas Enterprise. 'Foreign companies receive a contractual right to explore for oil and gas, and bring the capital and expertise the junta lacks. In the event of a commercially viable discovery, MOGE [Myanmar Oil and Gas Enterprise] steps in at the production phase to collect revenue, having risked nothing in the process' (Smith 2007).

Since almost all of the natural gas was exported, the economic concessions given by the Burmese government to foreign exploitation companies did not improve the domestic energy supply, but were directly transformed into monetary resources at the junta's discretionary disposal. The *SPDC* rejected a proposal by French Total and American Unocal to build an additional gas pipeline to supply Rangoon with energy, and instead opted for exclusively exporting the gas to Thailand (Clapp 2007). The foreign investments were often heavily protected by the Burmese military forces. This was the reason why oil and gas exploitation companies in Burma were frequently accused for being involved in serious human rights abuses such as forced relocation, forced labor, killings or rape in relation to oil and gas projects.¹⁴

Burma's gas fields were the second largest in Southeast Asia. The interest in exploiting these gas fields of all its neighbors was so high that it has been described as an 'intense bidding war' between Thailand, India and China (Zhao 2007, ii). Investments in Burma's oil and natural gas sectors from abroad more than tripled from 2006 to 2007. In 2010, it even represented 100% of all officially declared FDI (Turnell 2011). Even though foreign investors from South Korea, Thailand,

¹⁴These accusations finally led British Premier Oil to sell its stakes in Burma (The Shwe Gas Movement 2010).

Singapore, France, the U.S., Malaysia, India, and China were operating in this sector (Tin Maung Maung Than 2005b) and South Korean Daewoo seemed to play a key role, the struggle over access to Burmese gas is usually described as a competition between India and China. In this respect, it seemed that Chinese companies gained privileged access to the Burmese reserves.¹⁵

Both, Chinese and Indian companies were involved in joint gas exploitation with the Burmese. However, initially it was a Korean-Indian joint-venture that started offshore gas exploration in Burma's Shwe fields (Block A1) in 2001. India was planning to export the extracted gas through a pipeline via Bangladesh to India, but it faced difficulties to reach an agreement with the Bangladeshi government. Determined to increase its energy security, the Indian government was prepared to construct a much longer and much more expensive alternative pipeline (Lall 2006). To the surprise of the Indian government, however, the Burmese junta swiftly decided to sign an export Memorandum of Understanding with PetroChina instead when it became clear that the Bangladesh pipeline would most likely not be realized. Instead, gas exploited by the Korean-Indian consortium was expected to be exported to China's city of Kunming via a pipeline for which construction has started in late 2009 (Zhao 2007; Seekins 2010).

Not only did China prevail over India as an end-consumer for Burmese gas, since the late 2000s. Chinese companies succeeded in buying exploration rights to seven blocks covering an area of over 9.58 million hectares (Lall 2006), thereby crowding-out Indian bidders. In 2006, the Korean-Indian consortium announced the discovery of a huge gas field in Block A3, adjacent to Block A1 (Lall 2006). The general conclusion was that although China was not involved in the exploitation of gas in the early stages, it later won exploitation concessions over India. In 2007 for instance, even though outbid by an Indian competitor, China was rewarded a major oil and gas concession just three days after it had vetoed a *UN* resolution on

¹⁵Observers contended that the Burmese government granted China privileges in the exploitation of its oil and gas reserves against the infrastructure investments of Chinese companies, especially in the hydropower sector in Burma (Guo 2007; International Crisis Group 2009). They did not, however, provide more detailed evidence of this claim. In 2001, Chinese and Burmese authorities signed a Memorandum of Understanding to encourage scientific research institutions and enterprises in geology and mineral resources and to establish and conduct the cooperation to promote investments on exploration, mining and utilization of mineral resources (Liu 2001).

sanctions on Burma (Kleine-Ahlbrandt and Small 2008). Moreover, while China could increase its stakes, the Burmese authorities enforced a contractual provision to reduce Indian stakes. In 2008, two Indian share-holders, ONGC Videsh and GAIL were forced to reduce their stakes from 20% to 17% and from 10% to 8% respectively in the A1 and A3 Shwe blocks in order to increase the shareholdings of the state-owned Myanmar Oil and Gas Enterprise (60% of the shares in this field is held by South Korean Daewoo) (The Shwe Gas Movement 2010).

Nothing could illustrate the logic of political survival better than this development. In exchange for its protection of the Burmese military regime at the international level, the Chinese government obtained desired concessions in the oil and gas sector. Despite the fact, that the Chinese *UN* veto might not even have been vital to the junta's survival, because Russia vetoed the resolution too, the Burmese junta appreciated that China had shown its willingness to act as a protector.

In addition to these disputed fields, Chinese companies now hold a range of concessions in deep-sea and onshore gas blocks. In 2010, Chinese companies, with more than US\$ 8 billion of investments in Burma's hydropower and oil and gas sectors further strengthened their grip on the Burmese energy sector. 'The drastic flow enhances Beijing's strong position, which until the start of this year [2010] saw Chinese investment total US\$1.8 billion, or 11.5 per cent of Burma's total FDI' (Burma News International 2010).

With respect to the natural resources located in the regions under the control of the ethnic ceasefire groups, entrepreneurs and officials from China's province of Yunnan, also specifically profited from the chaotic situation in the country. Many agreements between Yunnan entrepreneurs and local war lords circumvented the Burmese central government and were made without Beijing's knowledge.

This is particularly so in logging business. Even though illegal according to Chinese law, Chinese companies from Yunnan were heavily involved in logging and exporting timber from Burma to China (Chenyang and Fook 2009). Despite a domestic logging ban, China evolved as a major exporter of timber products with the wood-processing industry located along the Burmese border. Low prices for imported wood were attributed to the fact that 98% of China's imported timber from Burma was estimated to be illegally logged woods (Global Witness 2005; Maung

Aung Myoe 2007). In this illegal timber trade, ‘Yunnan authorities, regional army commanders and ethnic ceasefire groups were all directly involved. Local businessmen admit that Chinese companies have ‘special cooperation and consensus with the local ethnic groups’ (International Crisis Group 2009, 40). The central governments in Beijing and Naypyidaw opposed this trade relationship: The Chinese because it damaged its reputation vis-à-vis the Burmese central government, the Burmese because it was losing out on revenues.

In a nutshell, it appeared that Chinese companies have secured privileged access to Burma’s natural resources. On the one hand, Chinese *SOEs* prevailed over other international competitors in the gas and oil sector primarily because the Chinese government was able to provide the Burmese central government with a feeling of security against external intervention. On the other hand, Chinese companies benefited from a power vacuum situation between competing Burmese authorities at the central and provincial level to gain access to Burma’s natural resources. China’s investors thereby profited from arrangements made under the incumbent small-winning coalition in the country which evolved in the course of Burma’s post-colonial history. The heavy Chinese investments connected to the exploitation of these resources in Burma, created a very strong incentive for maintaining the status quo in the distribution of power.

7.4.3. Geo-political interests in Burma

At the core of China’s strategic interests in Southeast Asia as a whole, and Burma in particular, was the desire to keep the U.S. out of Southeast Asia. At the same time, the Chinese government sought to increase its own influence vis-à-vis other regional players, particularly India, in order to secure strategic access to the Indian Ocean (Chenyang and Fook 2009; Ganesan 2011). The Chinese government successfully achieved this objective and was considered to occupy a privileged position (Zhao 2007, ii). However, in contrast to the conventional perception of Burma as a client state of China, the relationship was troubled by mutual distrust and the Burmese government tried to diversify its strategic relations (Storey 2007a, 2009). In the following I explain why I classify the Burmese foreign policy strategy as one that tries to hedge, but effectively ends up to bandwagon with China.

On the one hand, China was quite successful in the implementation of its strategic goals. With respect to the strategic access to the Indian Ocean, Chinese companies developed the ports in Haingyi, Coco, Sittwe, Zadetkyi Kyun, Myeik and Kyaukphyu where they assisted in the construction of radars, communication and refuelling facilities. Also, they were involved in a series of airfield construction projects in north and north-western Burma (Selth 2003, 4). These Chinese activities in Burma reached such an extent that Indian observers claimed that the Burmese government had allowed the Chinese to establish several intelligence stations to oversee India's naval activity (Selth 2003). The Burmese authorities, for their part, consistently denied 'any Chinese military presence in Burma or establishing a strategic alliance in China's favour' (Tin Maung Maung Than 2003, 208) despite their strong reliance on the Chinese supply of military equipment and weapons. These Indian allegations eventually proved to be untrue (International Crisis Group 2009).

This leaves unaffected that the Chinese government sought not only to use Burma's strategic location to improve Chinese access to the Indian Ocean from a geo-strategic perspective, but also as a transit country to facilitate trade relations with the rest of the world. About 80% of the Chinese oil imports was shipped from the Middle East and Africa through the Indian Ocean and through the Strait of Malacca, a chokepoint controlled by U.S. naval forces. This made China vulnerable. The Chinese government was worried that a blockade of the Strait of Malacca due to conflict over Taiwan for example, would have devastating consequences for the Chinese economy. This vulnerability could be mitigated by acquiring direct access to the Indian Ocean and the Gulf of Bengal through harbors in neighboring countries. Direct access would improve the security of major sea lanes for Chinese oil tankers, and in the long run, even help to avoid the passage through the Malacca Strait entirely if oil would be further transported to China by pipelines (Chenyang and Fook 2009).

In the past, the Burmese government was sceptical about these Chinese intentions to extend the Burmese infrastructure (Tin Maung Maung Than 2003; Clapp 2007). But in the mid 2000s, 'China has finally succeeded in wearing down this reluctance, probably with the lure of very large financial returns' (Clapp 2007, 12). Finally, in 2009, constructions of a more than US\$1 billion twin pipeline for

oil and gas through Burma connecting the Burmese port of Kyaukphyu with the Chinese provincial capital Kunming began. At the same time, confrontations in Sino-Burmese relations persisted pushing the government of Burma to search for alternative partners. As elaborated in section 7.3, the generals, even though able to strengthen their power due to Chinese military assistance, dislike and distrust the Chinese government because of the Chinese interventionist policies in the past. Thus, even though China achieved major strategic objectives, the bilateral relation was not without contradictions and persistent distrust and insecurity about the Chinese willingness to back the junta vis-à-vis the ethnic ceasefire groups motivated the military government to diversify its foreign relations.

Moreover, the Burmese government disagreed with the Chinese on how political stability in Burma could be achieved. The Chinese government is interested in Burma's political stability, not only because of the above mentioned heavy Chinese investments in Burma (the mentioned pipelines ran through areas controlled by ethnic rebel groups), but also because of the ethnic minorities living on both sides of the Sino-Burmese borders. Behind the scenes, China tried to push for the reconciliation between the central government and the armed rebel groups and for political and economic reforms in order to increase the government's legitimacy. Given its close relations to the ethnic Chinese rebels in Burma, the Chinese government was reluctant to cut its support to the ceasefire groups. Only during a state visit of General Than Shwe in September 2010, the Chinese government gave its approval to the Burmese central government's initiative to disarm the rebel groups by declaring not to support any group that carries out anti-government activities along the Sino-Burmese border (?).

Given these disagreements, the Burmese central government attempted to balance China's influence by diversifying its external ties. It is noteworthy that there has been great interest on the side of other Asian states to engage the junta. In addition to economic interests, a major concern of all these states was the perception that isolation would drive the military junta further into the arms of China (Selth 2003). Apart from a number of regional players such as Thailand, Singapore, Indonesia, Malaysia, Vietnam, Japan, and South Korea as well as the *ASEAN* as a whole, it was particularly India that lent itself as a counter-weight against overdependence on China. The Indian government was relying on the Burmese

government to tackle its own separatist insurgencies, and was competing with China for influence in the Indian Ocean and access to natural resources. Against this background, the Indian government shifted its approach towards Burma from criticism over human rights issues during the 1980s to pragmatic engagement including military assistance (Zhao 2007). India's ambassador tried hard to convince the Burmese junta that India would not interfere in Burma's domestic affairs: 'I wish to reassure my Myanmar friends that while India is proud to be a democracy, we are not in the business of exporting it' (Ambassador R.K. Bhatia cited in Matthews (2006, 216).

Moreover, the Burmese junta began to proactively diversify its external relations to other weapon suppliers such as North Korea, Iran, Israel, Ukraine and Russia. In 2001, Russia agreed to supply the junta with jet fighters and in 2007, to provide assistance with an air defence missile system. 'Reportedly, the Russian MIG military aircraft company has maintained a representative office in Myanmar since October 2006 and helped upgrade the country's main military airstrip' (International Crisis Group 2009, 29).

In addition, the junta was keen to improve its ties to the U.S., which were far from normalized. Since 1990, no U.S. ambassador was dispatched to Burma, but representation continued by *chargés d'affaires ad interim*. The U.S. unilaterally imposed sanctions on investments in Burma in 1997. These were gradually extended to imports from Burma and to restrictions on financial transactions and visa bans for members of the junta. It was the U.S., together with Britain, that tabled a *UN* resolution to impose *UN* sanctions on Burma in 2007.

Against the calculation that improved relations between Burma and the U.S. would be beneficial to China by averting an U.S. aggression or international intervention in Burma, the Chinese government brokered talks between representatives of the two nations to facilitate incremental improvements of bilateral relations under the Obama administration and backed the effort of the *UN* special envoy Ibrahim Gambari to promote national reconciliation between the generals and the democratic opposition in Burma (Lee et al. 2009; Holliday 2009; Steinberg 2010). But suspicious of the Chinese, the military junta interpreted the Chinese mediation as an attempt to use Burma as a bargaining chip in the Sino-U.S. relations (International Crisis Group 2009).

To sum up, even though not much was known about the Burmese junta's strategic calculations it appeared that Burma was not such a vassal of China as is usually assumed. In fact, disagreements between the Chinese and the Burmese leaderships persisted. Against this background, the generals pursued a strategy of hedging and tried to diversify their external relations to ease dependence on China. India, in particular, tried to improve its relations to the junta. In reality, however, the Indian government could not offer the diplomatic protection which China could provide with its veto power in the *UN Security Council*. Only Russia could do the same. The junta's relations to neither India nor Russia, however, were comparable to that with China. Given all this, the Burmese government was categorized a de facto eager compliant with China's geo-strategic interests. Clearly, the generals preferred hedging against China more actively, but taking into account the international pressure on the regime there was not much space for manoeuvring. The junta was left with no real alternative than to bandwagon with China.

7.5. Summary of findings

This section sums up the findings on the case study of Burma. With regard to the junta's compliance with China's interests, China was able to quite successfully realize its strategic objectives. The Burmese compliance with China's objectives was high. It took on an eager position.

1. 'One China' policy: The Burmese government was the first country to diplomatically acknowledge the *PRC*. In 2000, it closed the unofficial Taiwanese representation in Burma, although trade relations between the two countries continue to flourish. With respect to the Dalai Lama, the Burmese junta has completely ignored him and never allowed him to pay a visit to the country. It even banned him from the state media for reasons of loyalty to the Chinese government. This corresponds to eager support of China's 'one China' policy.
2. Access to natural resources: China was very successful in accessing Burmese oil and gas reserves, especially when compared with India's attempts to increase its leverage over Burmese oil and gas reserves. Even though Chinese

companies were initially not involved in the exploration, they gained considerable concessions later. In addition, much of the explored gas was expected to be exported to China, and not to India although the Burmese generals initially had been in negotiations with India. Most recently, while Chinese companies gained new concessions, the shares of Indian stake-holders were forcibly reduced by the Burmese government. This reaction corresponds to an eager compliant.

3. Geo-political interests: Not much was known about the junta's strategic calculations. Empirical evidence, however, suggested that China was relatively successful in realizing its geo-strategic objectives. This was, although the Burmese government tried to reduce its reliance on China, in reality, it did not find an alternative partner of equal weight which would allow the junta to hedge against China more actively. The empirical evidence suggests that the Burmese government falls into the category of eagerness.

Given the very small winning coalition of the Burmese government, this very high compliance at all these parameters is not particularly surprising. The finding suggests that the Burmese government, which had a very large discretionary leeway in decision-making, could indeed be bought relatively easy by external interests.

Moreover, empirical evidence in the Burmese case was by and large in line with the theoretical argument. Firstly, it could be seen that policy concessions by the Burmese government were given in exchange for political protection at the international level as well as the provision of private goods to the government and its winning coalition. When assessing whether and how it could profit from responding to external interests, the Burmese government considered only the narrowly defined interests of the military and its business associates who formed the junta's winning coalition.

These domestic incentives that guided the Burmese junta in its actions were clearly reflected in the Sino-Burmese relations. The Chinese government primarily targeted the military junta and its cronies. China virtually disregarded the Burmese population that was not part of the coalition and therefore had no power to push for its collective interests. Furthermore, to the extent that the Chinese government directly or indirectly established channels to reach out to the ethnic

rebel groups and thereby circumvented the central government, the inability to effectively control the whole Burmese territory was also mirrored in the Chinese approach.

Second, policy concessions which the Burmese government is willing to give to the Chinese in exchange for material investments in the security apparatus and the economy, and most importantly in exchange for protection of the ruling elite against foreign intervention include access to natural resources at privileged prices.

Most importantly, the cooperation between the two small winning coalition governments in Burma and China helped the Burmese government to stabilize its position in power in various ways. Because the Burmese government was able to monopolize the allocation of resources received from China, it could re-distribute profits or extract assets from industrial or agricultural production sites to its cronies. The Chinese government also provided military equipment under preferential conditions to the Burmese junta, thereby directly addressing the needs of the Burmese coalition members and increasing the junta's capacity to fend off domestic challengers. Connected to increased Chinese investments in the country in recent times, the exploitation of Burmese natural resources has created a path-dependency which will further increase the Chinese incentives to defend the position of Burma's small winning coalition. This interest in maintaining a small winning coalition in Burma materialized for example in the Chinese strategy towards the domestic Burmese opposition who attempted to raise their gains from collaboration with rather than challenging the existing regime.

Consequently, at the international level too, the Chinese government shielded the Burmese government from international pressure and protected it from intervention by using its veto power in the *UN* Security Council to prevent the international community taking measures against the regime.

8. Case study II: Cambodia

8.1. Historical background

Testified by the impressive remainings of the ancient capital in Angkor, monarchy in Cambodia is over 1200 years old. The empire declined in the 16th century and the country was subsequently invaded by its neighbors, the Siamese and the Vietnamese. Historians argue that Cambodia would have disappeared without an agreement between King Norodom and the French to place the country under French protectorate (Tully 2005).

From 1863 to 1953, Cambodia was ruled by the French. During the Second World War, Cambodia was occupied by the Japanese empire, but it continued as a French protectorate after the war. In 1953, it gained independence from France and transformed to a constitutional monarchy under Prince Sihanouk. In the years that followed, Cambodia's politics were dominated by turmoil and violent struggles for power: In 1970, Prince Sihanouk was ousted and exiled to Beijing by a military coup led by Prime Minister General Lon Nol.¹ The U.S. supported Lon Nol, because Sihanouk, who officially started out with a policy of neutrality in the Vietnam War, began to increasingly support Viet Cong fighters along Cambodia's northern borders. In order to fight these, the U.S. bombed Viet Cong bases and strategic infrastructure in Cambodia. These bombings caused hundreds thousands of civilian casualties which in turn played an important role in generating support among the population for the communist Khmer Rouge rebels.

China, in opposition to the newly established U.S.-backed regime in Phnom Penh, pursued a two-track policy of supporting two competing Cambodian factions, King Sihanouk and the Khmer Rouge (Hood 1990). Both Sihanouk, the

¹Prince Sihanouk had developed a friendship with the Chinese prime minister Zhou Enlai whom he had met at the Bandung Conference in 1955.

internationally recognized leader of Cambodia, and the Khmer Rouge who had the stronger military capabilities formed the National United Front of Kampuchea in order to fight Lon Nol. When the Khmer Rouge took siege of Phnom Penh in 1975, Prince Sihanouk returned to the capital. However, shortly after the coalition broke and Sihanouk was taken hostage by the Khmer Rouge. From 1975 to 1979, during the reign of Pol Pot, Sihanouk was kept under house arrest. Throughout the 1970s Beijing not only delivered military support to the Khmer Rouge, but also sent more than 15,000 advisors to the country (Storey 2006).

The Khmer Rouge's rule of terror was brought to an end in 1979 by the invasion of Vietnamese troops together with Khmer Rouge defectors who had fled to Vietnam. In response and motivated by the ideological competition with Vietnam and the Soviet Union respectively, China then invaded Vietnam, but could not stop the defeat of the Khmer Rouge (Ross 1992). The Vietnamese installed a new government, the State of Cambodia (*SOC*) which was led by the Kampuchean People's Revolutionary Party (*KPRP*), their Cambodian comrade-in-arms. Due to support by Vietnamese troops, the *SOC* was able to control around 90% of the Cambodian territory.

Meanwhile, the three resistance factions, of Sihanouk nationalists, the Khmer Rouge and the Khmer People's National Liberation Front of Son Sann, again agreed to form a Coalition Government of Democratic Kampuchea in opposition to the Vietnamese puppet government in Phnom Penh. Sihanouk re-emerged at the political stage as a popular anti-Vietnamese symbol, but lacking military capacities, he was not able to marginalize the Khmer Rouge. Again, the coalition was supported from outside by China, but also by Thailand, Britain and the U.S.. While the coalition actually legitimized international support for the Khmer Rouge (Hood 1990, 980 and 987), the continuing arms supply to the Khmer Rouge weakened Sihanouk's diplomatic efforts and strengthened the Khmer Rouge's bargaining position.

Efforts to solve the civil war in Cambodia did not really take off until the international context had dramatically changed after the end of the Cold War. In October 1991, the Paris Conference on Cambodia resulted in a comprehensive peace settlement where the four warring factions signed an agreement.

The Paris Peace agreement was negotiated by the permanent members of the

UN Security Council and included the establishment of a twelve-member Supreme National Council which should comprise all four Cambodian warring factions. The *UN* was given a mandate to enforce a ceasefire and to deal with refugees and disarmament. The *UNTAC*, one of the *UN*'s most complex peacekeeping operations to date, was also given the mandate to implement free and fair elections for the constitutional assembly (An et al. 2008, 8). It was expected that the constitutional assembly, after having approved the constitution, would transform into a legislative assembly which should then form the first government (Brown 1992, 91).

Accordingly, in 1991, Hun Sen's puppet government dissolved and the Supreme National Council was established. Also in 1991, Hun Sen's *KPRP* declared an end to communism and transformed itself to the Cambodian People's Party (*CPP*) (Brown 1992, 93). China did not want *UNTAC* to become a political force in Cambodia (Richardson 2010, 162), but the settlement that brought civil war to an end in Cambodia was successful in putting through China's strategic interest to diminish Soviet influence in Vietnam and to increase Chinese influence in a 'balkanized Indochina' (Ross 1992, 54).

Moreover, the agreement did not criticize the Chinese backing of the disastrous Khmer Rouge regime, but even legitimized the Khmer Rouge's participation in the new government (Ross 1992, 54). China also participated in the *UNTAC* peace keeping mission. In 1992, 15,900 peace-keeping troops, 3,600 civilian police men and approximately 3,000 civilian administrators were working under the *UNTAC* mandate (Brown 1993, 84). Apart from the intimidation and political killings that kept being reported, a serious limitation of the *UNTAC* mandate was that it did not include any democratic institutional engineering beyond the elections (Croissant 2008). Also, *UNTAC*'s inability to dismantle the competitive advantage of the *CPP*, its control over the bureaucracy, caused critical opposition. But despite the Khmer Rouge's withdrawal from their commitment to participate in the elections, in 1993, the Constituent Assembly elections were held under *UNTAC*'s auspices. Along the lines of the *UNTAC*'s mandate, a new constitution was drafted.

8.2. Domestic politics

This section looks at Cambodia's domestic politics from the perspective of the selectorate theory. The section starts off with a discussion on who constitutes the Cambodian selectorate and the respective winning coalition by looking on how both groups are formally defined by Cambodia's 1993 constitution. It will then turn to the coalition members in more detail.

The country was a constitutional monarchy with King Norodom Sihamoni² as head of the state. He appointed the head of government according to the parliamentary majorities. According to the constitution, legislative competence lies in the bi-cameral parliament consisting of a lower and an upper house, the 123-seat National Assembly and the 61-member Senate, respectively. Cambodia's constitution stipulated that all Cambodians aged 18 and older had the right to vote for the National Assembly. Accordingly, the electorate formed the selectorate.

Based on the Cambodian constitution, the winning coalition formally consisted of the electorate's majority as further specified by electoral law. But the constitutional framework and the political reality differed greatly: Cambodia's political system, in reality, was very personalized. Constitutionally designed checks and balances were virtually non-functional and laws were most often drafted in the ministries with both parliamentary chambers powerless against domination by the executive that most often ruled by edict (Ear and Hall 2008). But also the formation of the government was repeatedly determined by other factors rather than by the outcome of the elections.

With respect to their core function of power transfer from one government to another, elections in Cambodia were little more than window-dressing. Having experienced four parliamentary elections until 2008, the country was governed by coalition governments consisting of the *CPP* and the royalist party. The *CPP* under Hun Sen was always the stronger player in these coalitions. Hun Sen finally managed to strengthen his position as the leader in a quasi one-party system after

²In 1991, Prince Norodom Sihanouk, the Cambodian King, returned to Phnom Penh after 21 years of exile in Beijing. In 2004, Prince Sihanouk severely ill and highly frustrated with the political situation, resigned as King. Subsequently, the Throne Council followed his suggestion and selected Norodom Sihamoni, a former UNESCO-Ambassador and ballet dancer as his successor.

a coup on 1997. Alternative parties, such as the Sam Rainsy party, did not succeed in seriously challenging this monopoly of power despite much financial and moral support from Western donors and steady increases in their share of votes.

Yet Cambodia's politicians came to understand the value of elections as a means to legitimize their power towards the domestic and an international audience. The national elections were exploited in order to create legitimacy. Therefore, outright violence and voter intimidation were transformed into more subtle methods of electoral manipulation allowing the regime to create legitimacy based on a 'technically sound and peaceful Election Day process' (An et al. 2008, 13).³ Moreover, a strategy of decentralization was introduced to replicate the political dominance which the *CPP* enjoyed at the national and local levels to the provincial and district levels (Hughes 2009).

In the language of the selectorate theory, the selectorate in Cambodia was not included in the winning coalition. For the continued rule of the *CPP*, not the majority of votes was decisive, but rather the party's ability to maintain loyalties among the most important executive state actors on the one hand and economic elites on the other (Cock 2010b).

According to a 'family tree' published by the English speaking Phnom Penh Post, all important positions to secure political power and internal security were connected through intermarriage between a few families which were related to the party leaders. Thereby, control over the armed forces, the police and the bureaucracy was especially important. This control was achieved by controlling control the party. Hence, most members of the different subgroups belong to the *CPP*. In the following, the most important members of this coalition will be introduced.

³With regard to the oppositional elites, political opponents have been neutralized 'by violence in the past, and by political pressure as the challenges have become less threatening' (Mydans 2008a,b). Overall, indicators of repression such as Freedom House's civil liberties and CIRI's Physical Rights show gradual improvements in political repression.

8.2.1. The coalition: The tycoons, the military, the bureaucracy

The tycoons

The distinction between the ruling party and the Cambodian state is blurred and the nexus between politics and business in Cambodia is very tight. On the one hand, political positions are designed to open up business opportunities to followers and, given the weakness of political institutions and powerful hierarchical patron-client relationships, personal networks are indispensable for doing business successfully. On the other hand, the government's capabilities and willingness to generate income through taxation is limited (Cock 2010b). It rather relies on non-tax revenues such as foreign development assistance or private donations to the *CPP* and the Cambodian Red Cross (which is then channelled to the *CPP*, because the Red Cross is chaired by first lady Bun Rany). As a consequence, a mutually beneficial relationship has evolved in which the political leadership is financially supported by a few super-rich party members who get any political support needed to increase their business imperia in return.

A few Cambodian families control large chunks of the most lucrative economic sectors, reaching from tourism to agro-business (logging and plantations), minerals, oil and gas, infrastructure and the communication and banking sectors. Many of these tycoons hold the title of 'Oknha', a prestigious title rewarded to sponsors whose donations to rebuild the country exceed US\$100,000. Regularly, they are very close to the government and act as counsellors or senators.⁴

A vivid illustration of the collusion between business and politics is given by one of the richest and most powerful Oknhas, Lao Meng Khin, who is said to be the main sponsor of the Hun Sen fraction. Lao Meng Khin's company Pheapimex is officially directed by his wife Choeung Sopheap (better known as Yeay Phu), who also manages the Cambodian Red Cross together with her close friend Hun Sen's wife. In several joint ventures with international business partners, pulp and

⁴The title of Oknha has a historical tradition dating back to the 15th century. It was revived in 1994 by decree of the two Prime Ministers. Accordingly, donations between US\$500 and US\$100,000 are rewarded with specific certificates and titles, respectively. Political posts, in general, are priced too. A position as Senator is said to cost US\$100,000 (Mengin 2007).

paper producer Pheapimex holds a number of economic land concessions and land concessions for plantations, logging and mining, altogether covering around 7,4% of Cambodia's total surface (Global Witness 2007, 77). The company and its branches have frequently been criticized by civil society organizations, amongst others because it allegedly has obtained concessions in conflict with Cambodian land law and because of its involvement in land conflicts, including forced evictions brutally carried out by armed security or military forces (Heder 2011).

As a consequence of the strong relations between politics and business, Cambodia is one of the most corrupt countries in the world. Transparency International ranked Cambodia as number 131 in 2005 and as number 158 out of 180 countries in 2009 (Transparency International 2009). According to estimations, Cambodia's losses due to corruption amount to US\$500 million annually. An anti-corruption law was discussed for 15 years before it passed the parliament in 2010. From this mere fact, the political will to fight corruption appears limited (Integrated Regional Information Networks 2010).

It is a specific feature of Cambodia's winning coalition that a number of those powerful tycoons which have built inroads into Cambodian politics are of ethnic Chinese origin. Historically, the small ethnic Chinese minority has always played a substantial role in Cambodia's society. Many Sino-Khmer and Chinese were well integrated in society and organized in communities since the 15th century. They traditionally engaged in trade and were relatively well-off. In the 20th century, however, the minority became a target of discrimination and prosecution. The ethnic Chinese were continuously discriminated against under the rule of Lon Nol (1970-1975), during the Khmer Rouge regime - when people of Chinese descent were mainly prosecuted for their urban life-style - and during the 1980s under the Vietnamese occupation (Mengin 2007). Ironically, they formed a prime target group of Khmer Rouge aggression which, in turn was supported by thousands of Chinese advisors at the time.

Today, an estimated 2.5% of Cambodia's population is of Chinese ethnicity (Burgos and Ear 2010). In 1990 the *CPP* government allowed the establishment of associations of ethnic minorities. And specifically since its relations with the Chinese government had improved, the *CPP* 'allowed China to actively assist in the cultural and economic revival of the Cambodian-Chinese community' (Marks

2000). Sino-Khmer individuals like Oknhas play a key role in China's relations to Cambodia. As will be discussed in section 8.3, driven by economic incentives, these elites exploit their political power to channel Chinese political and economic interests to the Cambodian decision makers.

The military

Claims to power were decided by military capabilities in 1993 and by pure force in 1997. The first parliamentary elections in 1993 resulted in a 58-seat majority (45%) of the royalist Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique, et Coopératif (*FUNCINPEC*) against 51 seats (38%) for the *CPP*. But the *CPP*, threatening that it would not accept the election results, forced the *FUNCINPEC* into a coalition government with two Prime Ministers (Lum 2007: 3). Prince Ranariddh (*FUNCINPEC*) became first and former Prime Minister Hun Sen (*CPP*) became second Prime Minister, although the latter de facto managed to control the government on his own. At the time, the formation of this government was considered to merely reflect the military reality of '100000 soldiers and 45000 police under SOC [and thus the *CPP*'s] command in contrast to *FUNCINPEC*'s 5000-strong armed force' (Um 1995, 76) rather than the 1993 election results.

The subsequent coalition was doomed to be unstable and most conflicts arose over the distribution of positions between supporters of both parties. The size of the government increased considerably to also integrate the newcomers from the royalist party (Roberts 2002, 526). But the *CPP* successfully refused to dismantle its organizational advantage and to leave sufficient positions of authority to the nominal election winner (Roberts 2002). Thereby it deprived the *FUNCINPEC* leaders of the means to reward the loyalty of their followers. In July 1997, the conflict over distribution of state resources to their respective supporters finally erupted into armed conflict between both parties when *FUNCINPEC* leader Ranariddh tried to realign with marginalized Khmer Rouge fighters in order to oust Hun Sen. Eventually, Ranariddh was exiled, some 80-100 people were killed and many *FUNCINPEC* members fled the country (Roberts 2002; McCargo 2005; Lum 2007; Ear 2007).

While the military has become a less visible actor in politics in the 2000s, there is no doubt about the close ties between armed troops and specific political leaders, particularly with Prime Minister Hun Sen. Coming from civil war, the inclusion of the armed forces in the coalition is a mere necessity and the country's political stability rests to a great deal upon the integration of former rebel fighters into the Royal Cambodian Armed Forces (*RCAF*). This results in dis-proportional size of the Cambodian military. Officially, the budget for national defence was stable during the 1990s, but it is said that the *RCAF* consumed 25% of all government revenues (McCargo 2005). The *RCAF* was also rewarded with large extra-budgetary revenues, such as 700,000 hectares of land as 'Military Development Zones', which generates revenues 'from military logging concessions', and with many other tax holidays (Sok 2005; McCargo 2005).

The bureaucracy

Along with military actors, the bureaucracy is a crucial player in Cambodia's today's coalition, not only at the state and provincial level, but also at the very grass-root level in the villages. The strategy of co-opting the bureaucracy in order to consolidate power dates back to pre-*UNTAC* times.

At the lower level, the *CPP*'s loyalties in the bureaucracy were built up during the early 1990s. They were initiated when Hun Sen anticipated diminishing material support from Vietnam and the Soviet Union and started to reform the party and the country's economy in the late 1980s (Gottesmann 2004, 279). Privatization strengthened the party's power position vis-à-vis local civil servants, who had earlier opposed recruitment for the regime imposed by Vietnam.

In the late 1980s, the flood of supply with luxury goods - such as cigarettes, detergent, soap, petrol and paraffin - from the Soviet Union which had until then supplemented civil servants' meagre salaries dried up. At the same time, inflation went up. Against the background of these worsening economic conditions and the decreasing ability of the regime to reward its supporters with goods supplied by the Soviet Union, the introduction of private economy offered officials new discretionary opportunities to amass wealth (Hughes 2003, 41). In the early 1990s, the *CPP* leadership coerced civil servants into the party (Hughes 2003, 65). In

doing so, it bound the access to these material benefits and the well-being of civil servants to the survival of the party and thus enforced loyalty to the party rather than the state.

As mentioned before, the *UNTAC* mission failed to fully control the administration (Brown 1993; Um 1994). *UNTAC*'s inability to deprive the *CPP* from its control over the bureaucracy was a contentious issue criticized by the other parties at the time, because control over the Cambodian bureaucracy would have been crucial to level out the playing field of the competing Cambodian factions.

In fact, the loyalty of the bureaucracy was a crucial competitive advantage in the political competition which has not only been emphasized by *CPP* leader Hun Sen himself (Hughes 2003, 81), but was also reflected in the inability of many *FUNCINPEC* ministers to carry out substantial policies during the first coalition government.⁵

Summary

Summing up the description of the Cambodian winning coalition, there are persistent gaps between the constitutional framework established under the *UNTAC* mandate and the political reality. According to the constitution, the winning coalition should include the electorate, but in reality the Cambodian political system is dominated by informal structures in which the electorate has no decisive power, hence, the electorate is de facto excluded from the winning coalition.

Instead, survival in power depends on a working party structure rather than electoral majorities. With his party, Hun Sen is able to successfully co-opt those societal subgroups which are of paramount importance to his government's grip on power. Among his winning coalition are the country's business tycoons. They play a prominent role in financing the party in exchange for the political support to generate these incomes. It is a noteworthy fact that some of these coalition members are of Chinese decent. Moreover, the military is an important member of the winning coalition. This is hardly surprising for a post-conflict country in which the use of force or the threat to do so creates considerable authority. Finally, the integration of the bureaucracy into the *CPP*'s networks enables the party to

⁵Conversation Phnom Penh, 19 November 2009.

dominate over state structures.

With an increasing authoritarian governance style the country has achieved political stability over the last decade. Moreover, it appears that the economic foundations of Hun Sen's reign is self-sustainable. Holding the position of Prime Minister since 1985, Hun Sen has the longest tenure in Asia to date.

8.3. China in Cambodia

Having discussed the members of the Cambodian winning coalition, this section takes a closer look on the interaction between Cambodian and Chinese elites. It should be noted that the case of Cambodia delivers some outstanding insights in China's engagement. This is for two reasons: First, China's development assistance to Cambodia is somewhat more transparent than elsewhere because the many international donors active in Cambodia tried to integrate China into the donor harmonization process. As a result, the Chinese government committed to Cambodia's *ODA* database provided by the Cambodian Rehabilitation and Development Board (CRDB). Second, there is a great variety of *NGOs* operating in Cambodia which critically monitor and document what Chinese actors are doing in the country.

The domestic conflict over power in 1997 marks a turning point in China's approach vis-à-vis the different Cambodian political factions. This turning point coincided with a more active Chinese regional strategy which encouraged Chinese state companies to invest abroad, including in Cambodia. In Cambodia, the implementation of this policy was greatly facilitated by the existing ethnic Chinese minority. In the following subsection, I will look in more detail at the Chinese engagement of the Cambodian leaders and their coalition, before turning to the question of whether and how the broader population is addressed.

8.3.1. China and the Cambodian coalition: The tycoons and the military

The 1997 conflict between de facto leader Hun Sen and his challenger Ranariddh clearly marks a turning point in Sino-Cambodian relations. In 1988, Cambo-

dian Prime Minister Hun Sen, originating from the Vietnamese-backed resistance against the Khmer Rouge regime, accused China to be the root of all that was evil in Cambodia (Marks 2000). At the same time, the Chinese government considered Hun Sen to represent a Vietnamese puppet regime and back in 1979 the *PRC* had even evaded Vietnam to punish the latter's invasion in Cambodia. But hostilities had faded away when in 2000, Prime Minister Hun Sen declared China as Cambodia's 'most trustworthy friend' (Storey 2006).

Hun Sen's victory in the conflict with Prince Ranariddh delivered an opportunity for the Chinese government to reconcile with the *CPP* and bridge the historic antagonism between both governments. Already in 1996, during a visit of Hun Sen to Beijing, an agreement on party-to-party relations between the *CCP* and the *CPP* was made (Richardson 2010). Against the background of the decline of the two factions on which the Chinese government had relied before, this shift in alliances was overdue: The Khmer Rouge were outlawed, King Sihanouk was bankrupt (Peou 2000, 220) and plagued by cancer as a result of which he spent most of the time out of the country for medical treatment while his son Ranariddh who had taken over the *FUNCINPEC* had driven the party to the edge of dissolution.

Declaring the conflict to an internal affair in which the Chinese government would not interfere, the Chinese government was quick to accept the new balance of power in Cambodia in which Hun Sen had prevailed over Prince Ranariddh. By the Western international society, however, the 1997 conflict was interpreted as a coup d'état by Hun Sen. Several donors put assistance flows on hold to express their disagreement. The U.S., for example, withheld its development assistance to the government for a decade. *ASEAN* also tried to push the *CPP* government to reconcile with Ranariddh (Möller 1998). Hun Sen was not prepared to this international pressure and the connected financial penalties (Ros 2000).

From 1997 onwards, visits between high-level Chinese and Cambodian leaders intensified and they were always 'marred by the announcement of a new Chinese provision of aid or the signature of an economic co-operation agreement' (Osborne 2006, 30). China switched its military support to the *RCAF* loyal to Hun Sen and the visibility of the Chinese-Cambodian friendship was further increased by ceremonies with high level participation from both sides whenever a Chinese in-

vestment project in Cambodia was completed. In 2002, Zhu Rongji announced the cancellation of Cambodia's debts to China (Richardson 2010).

It is difficult to assess whether the support from and cooperation with the Chinese government was vital for Hun Sen's political survival, because other external players tried to mediate in Cambodia's domestic crisis, too. In fact, it was Japan's mediation efforts which eventually 'saved' Cambodia. The Japanese government finally managed to convince the Cambodian parties to find an arrangement under which Prince Ranariddh could return so that new elections could be held (Ros 2000; Möller 1998). Even though the Chinese support doubtlessly lifted the pressure on Hun Sen, the traditional donor community's pressure was still strong enough to push Hun Sen to allow Ranariddh's return to Cambodia (Ros 2000).⁶

China and the RCAF

At the end of 1997, just several months after the end of the fighting, the Chinese government provided military equipment to Cambodia worth US\$2.8 million mostly to *RCAF* units (Storey 2006). This deal was claimed to pre-date the July 1997 fights (Marks 2000) and was officially given to the Cambodian national armed forces. However, in the context of Cambodia's post-civil war history, the armed forces were not neutral. Military ability had observably translated into political power after the 1993 elections. So, instead of increasing the capacity of national defense this military support first and foremost helped Hun Sen to bolster his position in power against domestic competitors.

According to a Cambodian defence official, China was the biggest supporter of military aid to the *RCAF* in 2005, even though the Vietnamese upheld their strong ties with the armed forces by numerous trainings (Rith and Cochrane 2005). China's annual support to the Cambodian military between 1999 and 2005 amounted to approximately US\$5 million (Rith and Cochrane 2005). It is noteworthy that from 2005 onwards, Chinese military assistance specifically targeted

⁶This time, Ranariddh did not accept the overwhelming election victory of the *CPP* in the parliamentary elections in 1998. The following stalemate was only overcome by creating a second chamber, the Senate. New positions were created to integrate *FUNCINPEC* members and to dispose the head of the National Assembly (*CPP*) allowing Ranariddh to take this position despite his election defeat (Roberts 2002). The coalition between *CPP* and the remaining *FUNCINPEC* was renewed.

the Cambodian naval forces to help safeguard projected offshore oil sites in which Chinese companies have great interest. The Cambodian government purchased six naval patrol boats from China in 2005 and in 2007 the Cambodian government was given a preferential loan from the Chinese government to buy another nine vessels for an estimated US\$60 million from China State Ship-building Corporation (People's Daily Online 2007; Burgos and Ear 2010). In 2010, shortly after the U.S. suspended a military program including the delivery of some 200 military trucks because of the deportation of 20 asylum-seeking Uighurs to China, the Chinese government stepped in and provided 257 vehicles to the Cambodian government (The Associated Press 2010).

In a conversation with me, a former minister of defence praised the arms trade with China, because China - unlike the U.S. which disposes second-hand equipment - delivers brand-new arms at 'friendship prices'. These are perceived a fairly good offer and so create a win-win situation. They are beneficial to the Cambodian government, its military and in particular to the minister in charge, because these arms deals are usually accompanied by a commission for the government official who arranged the deal.⁷

Obviously, the Chinese decision to cooperate with the Cambodian government after the coup de facto improved the position of one of the two competitors for power, Hun Sen, and thereby stabilized his political rule. Firstly, it helped to improve the material equipment of the armed forces willing to fight if necessary in order to defend his rule against domestic competitors. But also the Chinese military increased Hun Sen's capacity to satisfy this sub-group in his winning coalition and thereby increasing their loyalty. That is, China's material support for the *RCAF* went beyond the mere provision of hardware: By providing construction materials for barracks, schools and hospitals (Storey 2006), the Chinese government targeted improvements of living conditions specifically to Cambodia's military.

Against this background, the provision of military support is better understood as the narrowly targeted provision of privileges to an important sub-group within Hun Sen's winning coalition rather than a contribution to Cambodia's national defence as a whole which would classify as a public good. Also, this exchange

⁷Conversation, Phnom Penh, 10 November 2009

benefits narrowly defined Chinese interests. That is, the Chinese arms industry backed by powerful interests groups with close ties to politics which profits most from such business opportunities subsidised by Chinese state money.⁸

China and Cambodia's tycoons

The rapprochement between Hun Sen's *CPP* and the *CCP* coincided with the emergence of a more active Chinese regional policy approach, as China's new public diplomacy with its specific focus on the Asian region was just launched in the late 1990s. Its goal was to increase the Chinese government's attempts to improve its reputation among all its neighbors (Medeiros and Fravel 2003). Integrating the region economically was one strategy to this end, and consequently economic relations between China and Cambodia were built up steadily. In 2004, for the first time, foreign direct investments from China surpassed any other individual investing country (Burgos and Ear 2010). In the same year, in line with the Chinese 'go out' policy, investments to Cambodia were further encouraged by Chinese Vice-Prime Wu Yi on a visit to Cambodia. Until then, Chinese investments had typically been concentrated in the garment sector attracted by Cambodia's textile export quota to the U.S.. Although numerous, these small and medium-sized investments in garments and retail stood in no comparison to the new type of large scale investments that were being promoted by the 'go out' policy and further stimulated by pledges of the Chinese government. According to the Council of the Development of Cambodia (*CDC*) these investments overtly target on infrastructural projects such as the construction of roads and bridges and on the energy and mining sector. Also, there is one big resort development project. From 2006 to 2010, the Cambodian investment board approved US\$ 6 billion in Chinese investments, and China provided more than US\$ 2 billion more in grants and loans (Heder 2011).

The Chinese state-backed 'go out' policy with interests in strategic sectors sheds a different light on the re-emergence of the Sino-Khmer elites in Cambodia. They now gained a crucial role as facilitators of pro-actively pursued Chinese interests.

⁸For example, one of the most powerful companies in China's industrial-military complex is Poly Technologies Corporation, which is closely connected to the Chinese political leadership. During the 1980s, it was managed by Deng Xiaoping's son in law, He Ping.

Several Chinese business associations and the Chinese Chamber of Commerce located in the Chinese embassy in Phnom Penh offer an institutionalized network which facilitates investments of Chinese companies. However, individuals with sometimes shady connections to the underworld maintain a pivotal role in arranging business deals.

It is a common practice that these key persons with close ties to both the Cambodian government and officials of the *CCP* at various levels host business delegations from mainland China.⁹ It is safe to assume that these facilitators are financially rewarded for arranging businesses by the investors. Therefore, it has been argued that economic assistance and investments from China have catalysed the accumulation of the Sino-Khmer elite's wealth (Mengin 2007, 28). In this respect, it is interesting to note that some of the Sino-Khmer Oknhas have also set up businesses in the *PRC*. Therefore, they have also become dependent on the Chinese authorities' support in China. In this way, a business deal made in Cambodia can also payoff in terms of business concessions in China.¹⁰

Obviously, on the Chinese and the Cambodian side, the line is blurred between when individuals act as state or as private actors. Or to put it differently, abuse of public power to pursue private economic interests is common. Many powerful members of the Cambodian winning coalition are rewarded directly by Chinese actors for facilitating business interests in Cambodia with private goods such as provisions or stakes in joint-ventures (Cock 2010b).

Two such elitist joint-ventures in which Cambodia's national wealth is extracted by Chinese companies against a reward to a few Cambodian individuals are well-known: Wuzhishan L.S. Group Co. Lt. is a Sino-Cambodian enterprise and one of Pheapimex's off-springs. It is directed by Mr. Liu Wei, a representative of the overseas Chinese business community in Cambodia, Sino-Khmer Oknha Sy Kong Triv, and Sino-Khmer and Pheapimex owner Lau Meng Khin himself (Fullbrook 2006; Mengin 2007; Cambodian Human Rights Action Committee 2009). Cambodian civil society organizations have, amongst others, criticized that Wuzhishan's total concessions exceeded the legal maximum size of 10,000 hectares by twenty times.

⁹The same practice has been reported for Taiwanese business delegations which are promoted by a mafia boss from Taiwan (Lintner 2002, 220).

¹⁰Conversation, Phnom Penh, 17 November 2009

The company was also alleged for forced land evictions and forest-clearance operation in an area that was six times bigger than the original 10,000 hectares that was covered by a concession for a specific pine plantation in Monduliri province (Cambodian Human Rights Action Committee 2009). In 2001, in a joint-venture with Pheapimex under the name of Pheapimex-Fuchan, China Cooperative State Farm Group established a pulp plantation in Kompong Chhnang and Pursat provinces. The US\$70 million investment was financed by a loan to the Cambodian government from China's Import-Export Bank (Fullbrook 2006; Mengin 2007).

It has also been argued that the Chinese government approached the Sino-Khmer elites not only in economic matters, but also in political issues. For example, during the 1990s, Sino-Khmer Theng Bunma, the president of the Chinese Association of Cambodia and a famous figure in Cambodia's underworld was such a facilitator of Chinese interests in the Cambodian government (Marks 2000).¹¹ The Chinese government has reportedly ask Bunma through the Chinese embassy 'to intervene on several occasions with his senior contacts in the ruling Cambodian People's Party when Beijing does [did] not agree with the way the Cambodian government is [was] handling a particular issue' (Jeldres 2003). Accordingly, Bunma has been asked by the Chinese government to intervene in the context of the formalization of the Khmer Rouge tribunal (Jeldres 2003), but also to control Chinese triad gangs from the *PRC* which established themselves in Cambodia and were involved in human trafficking of Chinese illegal emigrants, drug smuggling, illegal capital flight and arms trade (Lintner 2002).

8.3.2. China and the disenfranchised

China and the opposition parties

Some empirical evidence suggests that the Chinese government is carefully observing the political developments in Cambodia and pragmatically adjusts its engagement with all those actors who could potentially become powerful. Members of the oppositional Sam Rainsy Party, for example, explained that they were usually

¹¹Theng Bunma was allegedly involved in drug trafficking. It is however, not clear whether he is a real Sino-Khmer, because of several documents certifying his birthplace in Cambodia, Thailand, China and Taiwan (Mengin 2007).

ignored by Chinese officials in Phnom Penh. However, for a short period in 2003, when the party emerged as a potential coalition candidate after the elections, they started to receive calls and invitations from the Chinese embassy. ‘They’d invite us to banquet with them [at the Chinese embassy], they’d drop hints about how they could aid us’ (Kurlantzick 2007, 47). Hun Sen finally succeeded in ending the political deadlock after almost a year by co-opting some of the Sam Rainsy Party’s allies into his coalition. The Sam Rainsy Party remained excluded from government and as a result calls from the Chinese embassy immediately ceased (Kurlantzick 2007).

In my own talks with the former Cambodian ambassador to the U.S., a member of the *FUNCINPEC* who cooperates with the *CPP* government, I was told that during the time of his mission in Washington, he was invited to China once or twice a year to make a tourist trip arranged by the Chinese Ministry of Foreign Affairs. When I asked whether his visits were of private nature, he explained to me that his personal relationship with Chinese officials dated back to their collaboration during the time of resistance against the Vietnamese and that the Chinese used the contact to him to gather information on the U.S.’s stance towards China.

China and the Cambodian population

The Cambodia *ODA* database provided by the Cambodian Rehabilitation and Development Board (CRDB) of the *CDC* delivers insight on what is officially claimed governmental assistance to Cambodia by the Chinese government (Council for the Development of Cambodia 2010).¹² Several features of Chinese development

¹²The Cambodia ODA database records details of project and programme assistance provided by all development partners. It has been developed in an attempt to achieve donor harmonization and to increase aid effectiveness. The information on Chinese projects is almost certainly neither a 100% correct nor complete: It generally starts only in the mid 2000s, but I found that the information on Chinese projects varied between two visits of the database. In 2010, some assistance that had been claimed in earlier years had been removed from the database. It concerned mostly in kind donations (excavators, pumping machines, motor cycles, fire trucks and anti-malaria medicine), materials for election and some donations to the royal family. Also, in 2006, a unit of a THSCAN Mobile Container System, worth of 20 million Yuan was transferred to the Cambodian government. The mobile scanners, designed for the custom service to scan containers were most probably sold by the Chinese Nuctech Co., a *SOE* which ranks among the world leaders in radiation and radiation technology. The former president of this company was Chinese President Hu Jintao’s son, Hu Haifeng.

assistance to Cambodia strongly suggest that the Cambodian population as such is not the target group.

First of all, civil society and non-state actors, in general, are not partners for cooperation for the Chinese government. None of the 268 foreign funded development projects carried out by Cambodian non-governmental organizations gets money from the Chinese government. All 22 reported Chinese development projects are implemented by Cambodian state institutions, not a single by a civil society organization or non-state actor (Council for the Development of Cambodia 2010).

Second, Chinese projects focus on the provision of financing for a specific capital investment project rather than on human-capacity building. The majority of Chinese projects concentrate on the transportation sector, concerned with building roads and bridges. Only one project in the educational sector was listed: the provision of some US\$80,000 for an electronic library to the Royal Academy.

Third, all four projects in the sectors of ‘environment and conservation’ and ‘governance and administration’ are prestige projects in favor of the Cambodian government or its cronies. They concerned the establishment of a botanical garden in the capital, the construction of a new building for the Council of Ministers (the Cambodian cabinet), and the provision of equipment and vehicles to the Senate as well as to the Ministry of Parliamentary Relations and Inspection. These projects directly targeted at increasing the living standard or social status of Hun Sen’s winning-coalition members. Tellingly, the streets of Phnom Penh are crowded by luxury jeeps tagged with license plates of the government or military while no public transport for ordinary Cambodians exists. The new Council of Ministers building which was meant to accommodate the government did not suit the taste of Prime Minister Hun Sen, who immediately upon completion started with the construction of a new building next to it (Burgos and Ear 2010). The First building was constructed and financed through a concessional loan from China of roughly US\$33 million. The construction seems to be a complete waste of Cambodian (or Chinese) public resources, only profitable for the Chinese construction company.

The most prominent example of Chinese support for Cambodian prestige projects is one of the largest foreign investments in Cambodia: the US\$280 million Kamchay hydropower station in Kampot Province. It is currently built by Sinohydro, a Chinese *SOE* which was fined for poor quality work and downgraded for its 2005

performance by the Chinese government itself (Middleton 2008). The ‘strong support for the project by the Chinese government appears to be more about gaining political points with the Cambodian government than Sinohydro making a large profit’ (Middleton 2008, 48). In the past, several international investors rejected to finance the dam construction which, located in a national park, is considered a prestige project and most probably is not economically viable (Middleton 2008). *NGOs* reckon that the project is financed as part of a 2006 US\$60 million package from China,¹³ and most likely subsidised by the Chinese government through low interest rates. Electricity produced by the dam will cost considerably less than current electricity, although it is expected to be more expensive than imported electricity from Vietnam (Middleton 2008). The Cambodian government had to guarantee profits in case the project turned out not to be financially viable and it was reported that Hun Sen received loans from China well in advance to polish the facility’s performance during the start-up phase (Fullbrook 2006).

Cambodian *NGOs* also criticize the intransparency around Chinese investments in Cambodia. The Cambodian government itself has no interest in allowing public discussion, let alone participation of civil society. Environmental impact assessments of major investment projects as required by law are often done only after the government has already contracted a company.¹⁴ The Cambodian government also communicates its plans to the general public, affected communities and citizens badly. Chinese investors and the Chinese embassy very often refuse to communicate with ordinary Cambodians or *NGOs* too.¹⁵ Alarming, even members of the regional government that are formally responsible for the area are often circumvented. For example, the district governor of O’Reang District stated that although he believed Wuzhishan’s plantation to be illegal, the level of political interaction between the national and provincial governments and the Chinese company was out of his reach, so he simply avoided those areas of his district: ‘I never went to the sites. The province never informs me about it. I don’t want to be involved’ (Plaut and Chan Thul 2006).

Obviously from the above, it follows that China’s engagement is in many aspects

¹³However, it does not appear in the official *CDC* statistic.

¹⁴Conversation Phnom Penh, 19 November 2008

¹⁵Conversation Phnom Penh, 19 November 2008

targeted at the narrowly defined objectives of the Cambodian government and its cronies rather than the Cambodian society. The Chinese government has shown willingness to support Hun Sen in financing and constructing prestige projects which he perceives meaningful to show his political power. At the same time, the Chinese government made sure that projects are constructed by Chinese companies, and so investments are channeled back into Chinese pockets.

There is, however, one way in which the Chinese government was keen to address ordinary Cambodians. This was in the field of education where the Chinese government assists, if not controls the Sino-Khmer communities to spread the Chinese language and culture, and so to channel China's strategic policy objectives.¹⁶

Since 1998, more than 70 Chinese language schools opened up in Cambodia, the largest of which with more than 10,000 students is bigger than any other Chinese school in any non-Chinese speaking country (Marks 2000). If needed, the schools run by the Sino-Khmer associations receive assistance from mainland Chinese governments or language associations (Kurlantzick 2007, 69). They are reportedly supported financially, through teachers sent from China, or in kind through provision of textbooks (Fullbrook 2006). The Chinese government has funnelled this assistance through the Cambodian-Chinese General Assembly, an umbrella organization of the Sino-Khmer associations. By supporting only those schools participating therein, the Chinese embassy has gained a certain degree of influence over the school boards.

The Chinese schools are very popular among Cambodians, because they are cheaper than Cambodia's public schools. 'Because the Chinese-language schools in Cambodia receive this outside funding, they can charge less than many public schools, where impoverished (and sometimes corrupt) Cambodian teachers demand excess payments' (Kurlantzick 2007, 69). But the Chinese schools are also a

¹⁶There are 13 family clan (based on a common Chinese family name), and 5 regional (based on origin from the same region in China) associations in Cambodia, some of which have a history of more than 2,000 years. These associations are usually fund by donations and they function as a network and forum to nourish cultural heritage, but also to provide assistance to each other. For example, often the association has a temple and some property which can be used for funerals, and run Chinese language schools in Phnom Penh. Rich association members would usually generously donate in order to help out other members. Apparently family clans are also connected to communities in other Chinese speaking countries for example Singapore or Malaysia. (Conversations with several associations in Phnom Penh, November 2009)

gateway and instrument to promote China's strategic interests. For example, after the bombing of the Chinese embassy in Belgrade by the U.S. in 1999, a 'month-long campaign to 'combat Western influences' among his pupils' was conducted by one of the school's principals while at the same time that Chinese investors in Cambodia were protesting in front of the U.S. Embassy in Phnom Penh (Marks 2000).

Summary

In conclusion, support from the Chinese government has helped Hun Sen to overcome a period of political isolation after the coup. Chinese financial assistance and development cooperation subsequently decreased Western leverage over his government and thereby it contributed to the skewed distribution of economic and political resources in the country, or in the words of Levitsky and Way (2010) the consolidation of competitive authoritarian structures.

The Chinese government has established good state-to-state relations with the *CPP* government in Cambodia. When it became clear that Hun Sen had won the conflict against his competitor Prince Ranariddh in 1997, the Chinese government accepted him as the de facto leader. It subsequently improved its party-to-party relations with the *CPP*. Over the years, a convergence of interests between members of the Chinese and Cambodian winning coalitions in the military, the economic and the political sector has evolved and the needs of these elites are directly addressed by Chinese state or state-backed actors. Oftentimes, cooperation is in the best interests of the winning coalitions on both the Chinese and the Cambodian side. With its military aid to the *RCAF*, the Chinese government targeted a prime constituency of Hun Sen's winning coalition.

In the economic field, China's economic rise stimulated foreign direct investments and increased the demand for Cambodia's easily extractable raw materials. Chinese business interests are often channelled through the Sino-Khmer tycoons who are also among Hun Sen's supporters. Because these elites are also rewarded by the Chinese companies in return for their networking and facilitating services, this has cemented the unbalanced access to economic resources and strengthened the *CCP*'s domination of the political process. However, the new Chinese engage-

ment has probably never been vital for the *CCP*'s survival in power.

It should be noted that with respect to the third coalition partner identified in section 8.2, the bureaucracy, I could not discern a specific interaction with the Chinese. This probably reflects the dominance of personal ties over institutional structures in both Cambodia's and China's political systems.

There is only little known about China's engagement with the opposition parties in Cambodia. Anecdotal evidence suggests that Chinese officials occasionally tried to co-opt opposition leaders when they perceived them to have potential to become powerful.

Concerning the broader Cambodian population, it is interesting to note that the Chinese government has actively supported the Sino-Khmer associations in promoting Chinese culture and setting up language schools. There is a clear intention discernible to reach out to the Cambodian population, even though ordinary Cambodians are excluded from the winning coalition.

8.4. Realization of Chinese interests

In the last section, I took a closer look on the interaction between Chinese and Cambodian winning coalitions. In this section, I will investigate how successful Chinese actors are in realizing their interests in Cambodia. This section is divided in three parts, each looking at a particular Chinese interest: The first part looks on how the Cambodian government handles the Chinese 'core interest' of territorial integrity and the 'one China' policy. The second section investigates the success in achieving a second Chinese main interest, access to natural resources and raw materials. Finally, part three focuses on China's specific geo-strategic and geo-political interests in Cambodia.

8.4.1. Territorial integrity and the 'one China' policy

In both issue areas connected to the territorial integrity of China, the Cambodian government is extremely compliant with Chinese interests. Exceeding the expectations of the Chinese government, it is located at the eager end of the compliance spectrum.

After the Paris Peace Agreement, Cambodia became an attractive destination for Taiwanese investments. These met increased interest of some *FUNCINPEC* members. These business relations with the Taiwanese were later alleged to have financed the royalist's rearmament (Peou 2000, 396). In early 1999, however, Hun Sen closed down the Taiwanese representative office, and even though Richardson (2010) reports that the Chinese leadership had hesitations about Hun Sen, shortly thereafter the Chinese government provided him with US\$18.3 million in foreign assistance guarantees and US\$200 million in no-interest loans, one of the highest aid amounts China provided to any country in the world at the time (Marks 2000; Jeldres 2003; Cock 2010b). Until today, there is no Taiwanese representation in Cambodia anymore, and in 2008 Hun Sen was quoted by saying: 'Don't dream to reopen Taiwan's representative office in Cambodia while I am in power' (Xinhua 2008b).

But the Cambodian government, internationally and domestically, pursues an even more pronounced 'one China' policy. Internationally, the Cambodian government was a 'vocal supporter of China's 2005 anti-secession law' (Storey 2006) and in 2007, the Cambodian government condemned Taiwan's bid to join the *UN*.

Domestically, the strict stance on the 'one China' policy is ensured through administrative requirements. For example, according to Cambodian regulations, Cambodian officials cannot travel to Taiwan with their diplomatic passports preventing them to meet Taiwanese officials. Furthermore, by Cambodian law, Taiwanese migrants need official documents issued by the Chinese embassy in order to marry (Mengin 2007).¹⁷ According to a high ranking Cambodian official, this policy aims at undermining Taiwanese statehood and was actually not intended as a mere measure against human trafficking of Cambodian women to Taiwanese brothels which is the way it is perceived by many Cambodians nowadays (Conversation Phnom Penh, 17 November 2009).¹⁸

Cambodia's strict adherence to the 'one China' policy also materializes in its dealings with the representative of Tibet, the Dalai Lama. Chinese interests were cited by government officials when the Dalai Lama was excluded from the World

¹⁷A Taiwanese national living in Cambodia assured me that the requirement of these documents - as allegedly everything else in the country - was only a matter of money.

¹⁸However, apparently organized crime rooted in Taiwan also played a prominent role in illegal migration from China via Cambodia to the U.S. and Canada (Lintner 2002, 220).

Buddhism Conference in 2002. The Cambodian government has never allowed the Dalai Lama to visit the country and denied him a visa in 2002 despite Buddhism being the majority religion in the country.

With respect to the 'one China' policy, the *CPP* government clearly is eagerly complying with China's interests. This means that China is very successful in realising its interests in these matters. The public statements of the government and its behavior pro-actively promote China's objectives of undermining the Taiwanese government and marginalizing the Dalai Lama internationally. With regard to the status of Taiwan, this coincided with Hun Sen's self-interest to weaken the links between his domestic opponents and their financiers from Taiwan. With regard to the Tibet issue, it is not obvious how the Cambodian government should profit domestically from the rejection of the Dalai Lama. Most likely, pleasing the Chinese interests is perceived by the government as rewarding in the long run.

8.4.2. Access to natural resources

Cambodian NGOs and civil society have frequently criticized the way in which Cambodian elites continue to give away the nation's wealth. Illicit timber and gem trade (mostly with the Thai) had financed the resistance against the *SOC*. With the current annual rate, deforestation has even increased after 2000 in comparison to the previous decade during which forested areas diminished at a rate of 1.1% annually (Food and Agriculture Organization of the United Nations 2005). In addition to timber, the leaders have also found alternative resources to exploit and the circle of capturing the country's natural resources now continues in the mining, oil and gas sectors. In 2006, US\$403 million of investment was approved in the mining sector by the *CDC* (Global Witness 2009). And Cambodia's total fossil fuel reserves have been estimated as high as 2 billion barrels of oil and 10 trillion cubic feet of natural gas, although these estimates are being contested (Crispin 2007).

Exemplary for the discretionary mechanisms of redistributing the nation's wealth by a small coalition is the oil and gas sector, where the requirement of public oversight over the distribution of concessions that is laid down in the 1991 Petroleum Regulation have been systematically circumvented ever since the late 1990s.

In conflict with existing law, the Cambodian National Petroleum Authority was established by royal decree in 1998 and it puts the process of disbursing oil concessions directly under the control of the prime minister (Cock 2010a; Burgos and Ear 2010). Furthermore, the set-up of the Cambodian National Petroleum Authority is dysfunctional and due to internal divisions and disrupted flows of information, ‘only a handful of individuals at the top of the Cambodian government have any knowledge, or involvement in, the negotiation of contracts signed with petroleum companies’ (Global Witness 2009, 41). Moreover, it is widely acknowledged that the distribution of concessions comes with ‘signature bonuses’ which are left out of Cambodia’s official government revenue statistics (Global Witness 2009, 49). As a result, the distribution of exploration concession seems to be at the discretion of the leading coalition with de facto no checks and balances in place (Cock 2010a).

‘In March 2002, the CNPA [Cambodian National Petroleum Authority] awarded offshore Block A to a subsidiary of U.S. oil company Chevron and its partners. Since that point, the CNPA appears to have allocated all remaining oil blocks to other petroleum companies of varying degrees of experience. None of this information has come into the public domain directly from the CNPA. Instead it has leaked out in dribs and drabs via oil companies, the media and government power-point presentations that have been posted online by other organisations’ (Global Witness 2009, 42).

Just as the small ruling elite has brought to perfection its control over whatever assets the country may possess, the *CPP* has ensured to have a hand on the resources that flow into the country. All larger foreign investments need the approval of the *CDC*, a one-stop agency for investments directly under the control of the Prime Minister. Furthermore, Cambodian land law does not allow non-nationals to acquire land and therefore stimulates the inclusion of a Cambodian partner. Under these circumstances, one can assume that Chinese investors can easily achieve its objective of accessing raw materials.

In terms of directly investing in the country to exploit the raw materials, corruption and weak rule-of-law in Cambodia is not much an impediment for Chinese

(and many other Asian) businessmen who are willing and accustomed to paying bribes and to make informal arrangements as long as this is helpful to their businesses. Nevertheless, all foreign investors which are ready to accept the investment environment should be able to operate successfully in Cambodia. The *CDC* statistics according to which the volume of investments from mainland China since 2004 exceed the foreign investment from other nations, suggests that the Chinese are more successful than other foreign investors. Of course, it remains difficult to judge whether Chinese companies in fact receive a preferential treatment over other investors in Cambodia due to the intransparency around such deals.

Anecdotal evidence also indicates that Chinese companies are involved in all kinds of raw material exploitation for export from Cambodia, whether it is timber or minerals, in the agro-business or energy sector. Many of these companies have violated Cambodian law. For example, in addition to the Wuzhishan plantations mentioned previously, Pheapimex has more Chinese business partners. For instance, the Chinese state news-agency Xinhua mentioned that Pheapimex was one of the two Cambodian companies in a joint-venture of the Chinese *SOE* China National Machinery & Equipment Import & Export Corporation. In 2005, the collaboration in the iron ore mine started to which Hun Sen was cited to have given his full support. According to the *NGO* Global Witness, the mine is guarded by military personnel and belongs to the Commander-in-Chief of the *RCAF* and Chief Joint Staff (Global Witness 2009).¹⁹ Moreover, in 2007 it was published that four Chinese state-owned steelmakers were to set up a joint venture to explore and develop iron ore mines in Cambodia (Chamber of Professional and Micro Enterprises of Cambodia 2007). In addition to that, an unnamed Chinese company, in collaboration with the commander of the *RCAF* infantry forces and the head of Cambodia's military development zones was accused to hold concession rights of the Southern Mining concession.²⁰ The operation in the chromium mine conflicts with Cambodian environmental law because of its location in the national reserve of Phnom Samkos Wildlife Sanctuary (Global Witness 2009, 27). Another unnamed Chinese-owned company together with Malaysian and Korean companies

¹⁹In 2008, for unknown reasons, a South Korean mining company took over 85% of the mine as a joint venture with one of the Cambodian parties and, against an upfront payment of approximately US\$1 million, continued exploitation.

²⁰These concessions were passed to Vietnamese ownership in spring 2008.

was reported to be involved in sand shipping from Cambodia to Singapore for use in land reclamation. The overall operation is allegedly controlled by a well known *CPP* Senator and tycoon (Global Witness 2009, 31) who is the main intermediary for the sand buyers and sand dredgers.

According to Chinese import statistics, exports of plywood and sawn wood from Cambodia to China totalled US\$50 million between 2003 and 2007 alone. It is not clear whether Chinese companies are only the buyers of these woods or whether they are also involved in logging. Since this trade does not appear in Cambodian export statistics it translates in an estimated loss of tax revenue for the state of Cambodia of US\$4.5 million (Global Witness 2007).

In the oil sector, finally, a number of Chinese companies succeeded in obtaining concessions for at least three out of six exploration blocks. Two blocks are entirely in Chinese hands: According to a report by Chinese news agency Xinhua, Chinese National Offshore Oil Corp signed a contract for off-shore oil and gas exploration of Block F in 2007 (Xinhua Economic News 2007; Cock 2010a). Another block, Block C, is owned for 100% by a company named Polytec Asset Holdings Limited, a company incorporated in the Caymans and headquartered in Hong Kong. With its core business in property, ice and frozen products, and finance and investment it has no expertise in oil and gas exploration. The company's executive director who also owns 59.5% of the company's shares is among the richest men in Hong Kong. As a member of the Chinese People's Political Consultative Conference, he is linked to the *CCP* and in fact also belongs to the Chinese winning coalition²¹ (Global Witness 2009).

The third block with Chinese involvement, Block D, 'comprise one Singaporean oil software services firm and a mysterious Cambodian-registered company set up for the purpose of owning the concession, which in turn is part-owned by another unknown company, a Chinese investment company and a Chinese state-owned crude oil import company' (Global Witness 2009, 47).

In conclusion, the empirical evidence suggests that Chinese companies have been quite successful when it comes to the exploitation of Cambodian raw materials. The strong involvement in the oil sector, where Chinese companies have stakes in

²¹At least in the sense that he is a target in the *CCP*'s strategy to co-opt all potentially powerful economic and societal actors.

three out of six exploration blocks even hints on a preferential treatment of Chinese companies to gain access to natural resources. Given that even rather inadequate investors lacking the necessary experience in the field have been awarded licences to explore oil, it appears that the decision on the part of the Cambodian government was based on other criteria than the suitability of the company. For this reason, I consider the Cambodian government to eagerly respond to the Chinese quest of gaining access to Cambodia's natural resources.

8.4.3. Geo-political interests in Cambodia

Geo-politically, the Chinese government considers Cambodia part of the Chinese 'soft underbelly', expressing its strategic importance to the Chinese government. This importance has long been connected to the competition between Vietnam and China over influence in Southeast Asia. Even though nowadays conflicts no longer arise along ideological lines, new cleavages between Vietnam and China emerge with respect to the South Chinese Sea. On the one hand, there are territorial conflicts between China and Vietnam over resource-rich islands.²² On the other hand, the significance of the South China Sea for the Chinese government also lies in its strategic importance for the Chinese energy security. The strategic objective here is to secure access to the Indian Ocean in the light of U.S. hegemony over strategic shipping lines.²³ While China has been very successful in realising this strategic goal, there is not much known about the Cambodian strategic foreign policy perspective. It is precisely this lack of expressed security concerns with

²²It has recently even been argued that the South China Sea, along with Tibet, Taiwan and Xinjiang is now considered a 'core interest' of China's territorial integrity (South China Morning Post 2010).

²³More generally, the Chinese diplomacy has the overall objective to project its peaceful intentions towards its Southeast Asian neighbors in order to overcome the suspicion against China which resulted from Chinese support for insurgencies and its efforts to influence Chinese ethnic communities in the past (Harris 2005). The task is to prevent the *ASEAN* member states as a whole bandwagoning with the U.S. or Japan against China (Harris 2005). Cambodia plays a specific role as China's voice in *ASEAN* to this end (Cock 2010b). In 1999, with one year delay, because of pressure from the European Union in reaction to the 1997 conflict, Cambodia became a member of *ASEAN*. From a conceptual perspective, Cambodia was now dealt with in the context of China's general approach towards *ASEAN*. But as the impressive density of high level interaction between the leaders of both countries shows, Cambodia's accession to *ASEAN* has not diminished neither its prominence nor the attention it receives from Chinese leaders.

China's rise and the intermittent highlighting of solid ties and shared values with China that characterizes Cambodia's bandwagoning with China (Chung 2009).

Similar to Burma, Cambodia plays an important role in improving China's energy security, because it can offer access to the Gulf of Thailand. In 2006, Jiangsu Taihu International, a Chinese firm, in a joint venture with a Cambodian partner (also connected to Pheapimex (Global Witness 2007)) set up a new 178 ha Special Economic Zone²⁴ near Sihanoukville, the only city in Cambodia with an international deepwater port. According to observers, Chinese companies have upgraded this port (Storey 2006). When the project was discussed for the first time in 1999, the representative on the Chinese side was Wang Jun, chairman of the China International Trade and Investment Corporation, and of Polytechnologies, the largest corporate entity owned by the *PLA* (Marks 2000). At that time, the set up of a shipbuilding and repair facility was also discussed (Chanda 2002).

Against the background of the Chinese Malacca dilemma (as discussed in section 7.4.3), security analysts have pointed towards the potential military use of ports like Sihanoukville by the Chinese (Burgos and Ear 2010). Not only in Cambodia, but also in other countries, the Chinese government has successfully acquired access to a chain of deep water ports in the region.²⁵ These ports, dubbed the 'string of pearls', are first and foremost for commercial use, but their dual-use character has been stressed and they may be used as 'maritime surveillance and listening posts or as supply and pre-positioning sites for naval deployments' in the future (Job, B. L. and Williams, E., Eds. 2009, 24). Also the harbor of Sihanoukville would be helpful for both, securing shipping lanes and pressuring Vietnam if it is used by visiting Chinese naval forces (Storey 2006). 'Situated in the center of mainland Southeast Asia, the Cambodian port of Sihanoukville would provide an excellent base for projecting maritime power into the Gulf of Thailand and the Straits of Malacca' (Marks 2000).

The Chinese have not only succeeded in gaining access to crucial Cambodian infrastructure, it seems they have also succeeded in winning the loyalty of Cambodia's government and its armed forces. Under circumstances where the possibilities

²⁴The conditions to settle in this Zone with a six to nine years of tax holiday and tax exemptions on imports and exports are very attractive.

²⁵For example the Sittwe Port, Ramree Island and Coco Island in Burma, Chittagong in Bangladesh, Hambantota in Sri Lanka, on the Maldives, and Gwadar in Pakistan.

of siding with the United States were slim, the Cambodian government sought to consolidate old ties with China and maximize assistance and protection from Beijing (Chung 2009). While the American government suspended all direct bilateral aid to the Cambodian government following the armed conflict in 1997, the Chinese government has constantly shown its support in the provision of arms and - with numerous visits of high-ranking militaries to Cambodia - its willingness to act as a close military partner. Until 2007, the U.S. was the only major donor that did not engage in government-to-government aid to Cambodia, but operated only through Cambodian or foreign *NGOs* and local governments (Lum 2007). When the sanctions were lifted the American government did not only re-establish flows of economic assistance to the Hun Sen government, but also its military aid. In 2007, the U.S. navy visited the port of Sihanoukville twice. These visits were the first since 1975. Yet, the relation between the U.S. and the Cambodian government remains conflictive, especially with respect to human rights concerns: In 2010, even though joint U.S.-Cambodian military exercises were held (Heder 2011), the U.S. suspended the provision of military trucks to the Cambodian government because the latter had deported 20 Uygur refugees to China. The dropout was swiftly filled by the Chinese government which even increased the supply (The Associated Press 2010).

Against this background, I consider the Cambodian government's behavior as one of bandwagoning, which corresponds to a position at the eager end of the compliance spectrum.

8.5. Summary of findings

The Chinese government has pursued its interest in Cambodia during the last three decades with great success. The leadership under Hun Sen was open to the Chinese foreign policy interests in all three issue areas to an extent that even exceeds Chinese expectations. In my general assessment of Cambodia's compliance with Chinese objectives, I therefore classify the Cambodian government as an eager compliant.

1. 'One China' policy: Regarding the Taiwan question, Cambodia vocally sup-

ports the *PRC* as the only legitimate Chinese state. There is no unofficial Taiwanese representation office in Phnom Penh despite significant foreign investments from Taiwan, but the Cambodian government also seeks to undermine Taiwanese statehood with its domestic regulations concerning the treatment of Taiwanese nationals living in Cambodia. In addition, the government has never allowed the Dalai Lama to visit the country. Both policies correspond to an eager response to Chinese interests.

2. Access to natural resources: The Cambodian government has welcomed Chinese state and private investments in the country. Several of the most prominent domestic tycoons which are heavily engaged in Cambodian politics, established joint ventures with Chinese companies. In the newly developed oil sector, Chinese *SOEs* acquired several exploitation concessions. The Cambodian government thus eagerly complies with the Chinese quest for access to natural resources.
3. Geo-political interests: Against the background of a strategic competition between China and the U.S. in Asia, the Cambodian government, despite its official policy of neutrality, bends heavily towards China. It has allowed China to invest in commercial infrastructure which, eventually could turn out to be of crucial military importance in the event of a conflict between China and other players in the region. Moreover, during the last 15 years, the Cambodian government enjoyed heavy military support from China, while at the same time experiencing sanctions from the U.S. during most of that period.

Thus, Cambodia's leadership has responded positively to all Chinese interests examined here. It has also become clear that it was rewarded for its compliance. In some instances, Hun Sen's actions in the favor of China, such as the closure of Taiwan's trade representation or the deportation of Uyгур refugees, were immediately rewarded by the Chinese government with the pledge of economic or military assistance.

Also, a closer look at the interaction between Chinese and Cambodian elites revealed empirical support for the overall theoretical argument which predicted that

the Chinese government would strongly target Cambodia's small winning coalition members. On the one hand, Chinese engagement strongly targets directly or indirectly the members of the Cambodian winning coalition. Chinese military assistance did not only bolster Hun Sen's military advantage over his domestic competitors, but also improved the living conditions for his supporters, thereby satisfying an important sub-group of his winning coalition. Chinese economic investments are often channelled through the ethnic Chinese Sino-Khmer business tycoons in Cambodia, which constitute another important element in Hun Sen's coalition. These tycoons are usually directly rewarded by gaining business concessions in China or by their participation in joint-ventures.

On the other hand, relatively few efforts have been made to target the Cambodian public. China's engagement reaches the broader population only in two sectors: when infrastructure projects such as roads or bridges are constructed and in the educational sector where Chinese language schools have blossomed. However, China's engagement in both sectors is pushed by China's strategic objectives rather than by a philanthropic motivation. The Chinese government seeks to economically develop the region which requires the construction of transportation networks and it desires to increase China's reputation in the region and therefore it invests in the development of soft power.

With respect to the balance of power in Cambodia, Chinese resources helped Cambodia's leadership to enforce its position in power and to enforce the dominance of informal structures over the constitutional order. In doing so, the winning coalition consisting of entrenched economic, military and bureaucratic elites was further empowered while the constitutionally defined selectorate, the electorate, has further lost the potential to be decisive in appointing the government.

Moreover, a convergence of interests between members of the winning coalition in China and in Cambodia has evolved, because the exchange of private goods between the two governments and their cronies was not only helpful to stabilize Hun Sen's power, but also to achieve China's strategic interests. Also, it was directly beneficial to the Chinese winning coalition.

9. Case study III: Mongolia

9.1. Historical background

Mongolia shares a long history of common statehood with China as both territories were governed commonly for several hundred years. During the Yuan Dynasty 1271-1368, China was under Mongol rule.¹ During the Qing Dynasty (1644-1911), for more than two hundred years both China and Mongolia belonged to the Manchurian Empire. It was the Manchus, a Tsungun tribe originating from North East Asia, who, after having subjected the numerous independent Mongolian princedoms, divided the Mongolian territory into Outer and Inner Mongolia. This division still separates today's Mongolia from the Autonomous Region of Inner Mongolia which belongs to the *PRC* (Agwaandorjiin 1999, 25).

When the Qing Dynasty fell apart in 1911, Mongolia declared its independence, seeking protection from Russia. During the decade that followed, Mongolia fell into chaos. It was affected by struggles between Red and White Russians, Chinese and Japanese (Green 1986). In 1919, China tried to re-establish its rule over Mongolia by military force. Both the Kuomintang and the *CCP* considered Mongolia a 'lost territory' that was to be re-integrated into the Chinese territory. Although Russian forces had helped to defeat the Chinese military in 1921, three years later, when Mongolia declared its independence as the Mongolian People's Republic, Russia signed an agreement with China acknowledging that Outer Mongolia was an autonomous but integral part of China.

In 1945, under pressure of the U.S., China was forced to relinquish its legal claim to Mongolia for the first time as the country's independence was a Russian condition in the Yalta agreement to enter the war against Japan (Green 1986).

¹Russia, on the other hand, has been ruled by a second Mongolian tribe, the Golden Horde, until 1380.

However, it took Mongolia another two decades to establish itself as a full member of the international community. Although Mongolia became a member of the *UN* in 1961, most countries fully recognized the country only after they had suspended their diplomatic ties with Taiwan (Green 1986), which until 2002 constitutionally considered Mongolia as belonging to the Republic of China (Campi 2004, 8).

During the Cold War the Mongolian People's Republic developed close ties with the Soviet Union. 'Mongolia was so completely integrated both politically and economically with the Soviet Union that it acquired the label 'the 16th republic' (Pomfret 2000, 150). Under the Mongolian president Choibalsan the country shared Moscow's Stalinist policies such as the destruction of the nomadic economic structure in the course of socialization and the elimination of roughly 38,000 members of the country's intellectual and religious elite.

Mongolia's transformation started in March 1990 when the 1989 demonstrations for the end of single-party rule eventually provoked a generational change within the incumbent communist Mongolian People's Revolutionary Party (*MPRP*) and its final resignation. In 1990, a first parliamentary election was held and a new constitution was introduced in 1992. With the new constitution, the Mongolian's People Republic adopted the new name Republic of Mongolia.

9.2. Domestic politics

I begin the discussion of Mongolia's selectorate and its winning coalition with looking at the constitution that brought into existence the Republic of Mongolia. The constitution of 1992 set the foundation of the new political order, 'a mixed political system, resembling a semi-presidential regime loosely modeled on France's Fifth Republic' (Batbayar 2003, 46). It established a division of power between the executive, the parliament and the judicative. The executive consists of the government, which is headed by the Prime Minister, and a directly elected president, the head of state. The president who's incumbency is limited to two terms has a veto power which can only be turned down by a two-thirds majority of the parliament. He nominates a Prime Minister who is picked from the majority party in parliament and, most importantly, he can propose to dissolve the parliament. This then needs to be approved by a two-thirds majority of the parliament. Mongolia's 76-member

parliament is called the Great State Hural. It is elected for a four-years term. In addition to the usual legislative duties it has the power to remove or relieve the President and to appoint or replace the Prime Minister (Batbayar 2003, 46). The constitution requires the judicative to be independently nominated by the highest court.

According to this constitutional order, all Mongolians of 18 years or older are entitled to elect the government by universal suffrage and this electorate hence forms the selectortate. Mongolia saw peaceful government turnovers in 1996 and 2000 in accordance with the election results. This suggests that the selectorate is effectively engaged in choosing the government.

The size of the coalition, in contrast, is legally determined by the election law. The majority system adopted in the 1992 constitution set the minimum requirement for the coalition to represent 50% of the electorate, but it was amended several times. Elections took place under different electoral rules, ‘including a block vote system (1992), a party list and candidate list system (1996), and a first-past-the-post system (2000)’ (Landman et al. 2005, 27). As in many other majoritarian systems, this legal requirement repeatedly produced election results in Mongolia in which the victorious party in parliamentary elections could heavily capitalize from what was in reality only a small electoral advantage. For example, 57% of the votes translated into 93% of parliamentary seats in 1992 and in 2000 51% of the votes into 72 out of 76 seats respectively. Since only an absolute majority in the Great Hural is required to form the government, the coalition could be considerably smaller, however.

Since 1990, five parliamentary (in 1992, 1996, 2000, 2004 and 2008) and five presidential elections (1993, 1997, 2001, 2005, and 2009) have been held. Over the years, a multi-party system has developed with the more conservative former communist *MPRP* and the more liberal Democratic Party (*DP*) as the two major rivals, the latter being a merger of several opposition parties.² Smaller parties such

²The three major parties emerging from the democracy movement in 1989 as the new political forces were the Mongolian Democratic Party, the Mongolian National Progress Party and the Mongolian Social Democratic Party. There have been several alliances, coalitions and mergers as well as splits and break offs between them and other minor parties since 1989. Only in 2004 was the *DP* found as major and durable merger, embracing ‘the whole spectrum of the democracy movement’ (Prohl and Sumati 2008, 28).

as the Civil Will Party, the National New Party, and the Republicans have also been successful in gaining seats in the Great State Hural.

Since government turnovers in accordance with the election results occurred twice, observers never questioned the positive political and public attitude towards democracy despite obvious drawbacks such as the unstable election rules (Landman et al. 2005; Freedom House 2006). However, political contest has become firmer during the last years: Observers reported numerous irregularities in the 2004 parliamentary elections, including ‘illegal use of state property and civil service workers’, police intimidation, fraudulent ballots, multiple voting, the ejection of political party and foreign observers from polling stations, ballot-box stuffing and the exploitation of ‘transfer voter’ provisions (Landman et al. 2005, 28).³

Even more intriguing is that in the aftermath of the 2008 parliamentary elections, riots seemed to bring the country at the brink of political chaos. According to the election results, the *DP* gained only 20 seats against 40 of the *MPRP*. Even though international observers declared the elections by and large free and fair, the frustrated opposition questioned these election results referring to much more optimistic forecasts. On July 1, demonstrations spiralled into violent riots. The *MPRP* party building was burnt, one of the country’s art museums looted and five civilians died. For four days the country experienced a state of emergency (Bulag 2009). Observers suspect that the protests were not entirely spontaneous, but it is not clarified in how far the events had been planned beforehand and by whom. Notwithstanding these suspicions, it appears that the political will to truly investigate and call those who are responsible to account is limited.⁴

³Due to the nomadic livelihood, Mongolian electoral law allows citizens flexibility in polling stations. But as many districts are scarcely populated, election results can easily be manipulated by shipping-in ‘mobile’ voters.

⁴Until today, there is no clear statement who issued the firing order and from which police guns the deathly shoots were released. Strangely enough, the doctor who carried out autopsy of the riots’ casualties died only shortly after having confirmed gun death in a house fire.

9.2.1. The coalition: The majority of the electorate and the oligarchs

The majority of the electorate

Despite the firm competition between the political parties and their attempts to manipulate the election results, voters still play a crucial role in installing the government. The government is formed according to the election results, meaning that the majority of the electorate is part of the coalition.

Therefore, one specific feature of the Mongolian population, and hence the Mongolian electorate is highly relevant for this analysis: This is a historically grown fear among the Mongolian population of being over-run or even annexed by the *PRC*. On the one hand, China's Autonomous Region of Inner Mongolia in which a Mongolian minority of 6 million people is dominated by a Han Chinese majority is quoted a precedent for Chinese expansionism. A key concern in this regard is the difference in historical views between the two nations: 'While Mongolians see themselves as one of the Asia's oldest ethnic nations like Han Chinese, Chinese regard Mongolia as a former part of the Middle Kingdom and view Mongolians as their ethnic minority' (Batchimeg 2005b, 54). Mongolian fears have been substantiated further by the repeated publication of Chinese official maps which showed the territory of Mongolia as a part of the *PRC* (Campi 2005). On the other hand, the immense demographic pressure in China constitutes a real threat that migration from China could turn Mongolia's 2.5 million population into a de facto ethnic minority on its own territory.

Against this background, a true Sino-phobia has evolved among Mongolians with sometimes extremist attacks on Chinese immigrants. Politics has reacted to these emotions. Fees were introduced for companies employing non-national labor and the newspapers regularly report on roundups of Chinese labor without proper documents. More importantly, however, politicians tried to capitalize from Sino-phobia in several electoral campaigns. While all major political parties have relations to the *CCP* (Batchimeg 2005a), in Mongolian politics, the 'China card' has frequently been played. For example, in 1998, a state-owned Mongolian newspaper alleged the Chinese ambassador to be involved in the events leading to

the resignation of the Enkhsaikhan government (The Economist Intelligence Unit 1998a, 49).⁵ In 2003, the minister of justice and internal affairs, Tsendiin Nyamdorj, was accused by the oppositional *DP* to have connections with the Chinese intelligence service (The Economist Intelligence Unit 2003, 9). Most recently, during the presidential elections in 2009, the incumbent president tried to discredit his competitor by accusing him of being of Chinese ascendance.

The oligarchs

Observers of Mongolia's democratization process have noticed a trend of 'oligarchization' in Mongolia's political system (Barkmann 2006b). As a result, it would be misleading to look at the constitutional setting alone as it would restrict the analysis of the winning coalition to the phase of democratic transition thereby overlooking an important trend in the phase of democratic consolidation.

The specific challenge of post-communist transitions consists of the simultaneous political and economic transformation. In Mongolia, the institutional setting for political transformation was introduced relatively quickly with the new constitution. Much of the political process during the 1990s, in contrast, was dominated by reforming the socialist economic system. During communist times, the Mongolian economy was nationalized and deeply integrated with the Soviet Union. When the Soviet Union withdrew its financial support, Mongolian leaders had to find ways to substitute for subsidies from the Soviet Union.⁶

They pursued a neo-liberal shock-therapy in order to establish a market system thereby finding support from Western donor agencies which stepped in. But assistance was conditioned on structural economic reforms in line with the then-dominant paradigm of the 'Washington Consensus'. The agreed reform program was truly radical: Initially, it was planned to privatize 40% of *SOEs* within two to three years with the state retaining control over some key sectors such as energy, mining, transportation and banking (Heaton 1992, 52). In 1993, with US\$0.52

⁵The allegations turned out to be unsubstantiated and in the consequence of heavy objections on the part of the Chinese government, the editor-in-chief was replaced.

⁶The demand for payment in hard currency of the Soviet Union and the disrupted transportation systems resulted in a shortage of goods such as sugar, butter, meat, rice, and matches (Rossabi 2005b, 35). For example, meat rationing in Ulaanbaatar in 1991, limited usual consumption of 7.5kg per month to 2.7kg per person (Heaton 1992, 53).

billion or US\$236 per capita the country was at its lowest level of real GDP (Demirbag et al. 2005, 307). It is widely believed that the transition process was implemented relatively smoothly, because Mongolia's economy traditionally was based on a large nomadic agricultural sector and Mongolia therefore 'did not confront any major problem in terms of large-scale dislocation of redundant industrial workers' (Demirbag et al. 2005, 308). Nevertheless, unemployment sharply increased from 31,000 in February to over 80,000 in September 1991 (Heaton 1992, 53).⁷ While there was considerable ownership on the part of Mongolian reformers, Mongolia's transition process was dominated by donor agencies which insisted on democratization together with transition to a pure market system and which enforced specific economic policies. As has been criticized, they thereby effectively undermined democratic principles (Rossabi 2005b, 111).

Initially designed to ensure equality, the privatization process de facto greatly contributed to inequality. The distribution of vouchers to buy *SOEs* overstretched the ability of many people to fully understand the process while underestimating their need for cash. Many sold their vouchers for ridiculous prices which de facto resulted in the concentration of vouchers in a few hands. Moreover, throughout the process, under-priced sales of well-functioning state enterprises or state banks, misappropriation and theft of state assets have been reported (Rossabi 2005b, 75). Privatization of livestock initiated in 1991 led to an increase in the total number of animals which has dramatically spurred desertification because of over-grazing of the fragile grass-lands. At the same time, many herders reverted to subsistence farming (The Economist Intelligence Unit 1998b). Similarly the 2003 Private Land Act that credits 0,7 hectares of land to every Mongolian played into the hands of insiders because of insufficient information about the quality of land (Bayantur 2008, 44, Rossabi 2005b, 108).

As a result, in the 2000s the struggle over redistribution in the economic field translated into a process of oligarchyization in the political sphere: Not only has a small elite succeeded in transferring much of the countries wealth into a few private pockets, but it has also increased entrance barriers to the political scene for newcomers. Due to the majoritarian electoral system elections were most often not driven by programmatic competition, but by personalities. Furthermore,

⁷True is, however, that economic reforms temporarily stimulated decreasing urbanization rates.

both major parties are strongly riven by factions (Pomfret 2000, 156). Against this background, exorbitantly expensive electoral campaigns effectively close the political contest against newcomers. For example, in the 2004 parliamentary elections, the reported price for standing as an election candidate in a country side constituency was Tugrik 20 million to Tugrik 30 million (between US\$15,000 and US\$23,000), rising up to 150 million in Ulaanbaatar (approximately US\$115,000) (Barkmann 2006a, 388).

From 2000 onwards, the increase in the number of business men in the political sphere was considerable, many of whom started to invest massively in political parties and to join politics primarily in order to increase their business opportunities (Barkmann 2006b) or to obtain parliamentary immunity.⁸ Since fall 2009, the office of the prime minister is held by one of the country's wealthiest businessmen, Sukhbaataryn Batbold (Bulag 2010). Since a controversial 1999 amendment of the constitution allows Members of Parliament to simultaneously serve in the government, the engagement of business in politics is more than mere lobbying. In consequence, numerous conflicts of interests of such dual office holders have arisen⁹ spurred by the lack of a Freedom of Information Act as an obstacle to accountability and transparency. Therefore, political parties are increasingly viewed as corrupt (The Asia Foundation and US Aid 2009), but only few high-level corruption cases have been brought to justice. Rampant corruption is also reflected in Transparency International's Corruption Perception Index where Mongolia was ranked 85 in 2004, 105 in 2006, and 120 in 2009 out of 180 countries (Transparency International 2009).

⁸Conversation, Ulaanbaatar 25 September 2008

⁹The constitution that forbid dual office was amended in 1999. This amendment was ruled to be unconstitutional by the constitutional court and in addition vetoed by President Bagabandi. However, a two-thirds majority of the parliament overturned the presidential veto (The Economist Intelligence Unit 2001).

Summary

In conclusion, Mongolia has transformed remarkably peaceful to a parliamentary democracy after the brake-down of the Soviet Union. In its twenty years of democratic history, the election results translated into government turnovers twice. The majority of the electorate effectively participates in the winning coalition. With respect to its relations to China, the wide-spread Sino-phobia among the electorate is an important factor in Mongolian politics. But there are also strong vested interests that have succeeded in becoming a permanent member in the coalition: the Mongolian group of oligarchs that increasingly dominate the political process.

9.3. China in Mongolia

The previous section presented the constituencies of the Mongolian winning coalition. It is a relatively large coalition. Against this background, the following sections investigate the nexus between Chinese and Mongolians. The section firstly discusses China's engagement with the small vested interests and then turns to China's approaches towards the population who forms the electorate. Because the coalition is inclusive, this section has no subsection dedicated to the disenfranchised.

9.3.1. China and the Mongolian coalition

China and the oligarchs

From the perspective of government-to-government relations, the Chinese government very prudently tried to show its goodwill to maintain good relations with its Mongolian counterparts. In order to do so, it has repeatedly offered to support the Mongolian government financially. In 2003, Chinese president Hu Jintao offered a US\$300,000 soft loan for infrastructure projects (Batchimeg 2005a), but the Mongolian government was undecided what to do with this offer. In 2007, a project proposal to use the loan to construct a hydropower project that had been on the table ever since the 1990s - and then already been evaluated to be un-viable

- was finally rejected.¹⁰ Nonetheless, it appears that the Mongolian government was deliberately reluctant to accept Chinese strategic investments and state loans during the 1990s and until the 2008 global financial crisis.

In the framework of government-to-government relations, it is known that the Chinese government also addressed the Mongolian military. China provided more than US\$1 million of military assistance in total, which consisted of medical equipment supply, two Chinese language teachers to the Mongolian armed forces and the finance provision of accommodation for officers and improved training facilities in 1997 and 2000 (The Economist Intelligence Unit 2000a, The Economist Intelligence Unit 1997a, The Economist Intelligence Unit 1996a, 47, Liu 2007).

At the individual level, the Chinese government seeks to maintain good relations with the Mongolian policy-makers, whether they are parliamentarians or members of the cabinet. Therefore, as the chief of the *CCP*'s International Liaison Department reassured a opposition party, it is a Chinese policy to cultivate ties to all important Mongolian parties and their high-ranking party officials regardless whether they are in government or in opposition (The UB Post 2003c).

Many of the Mongolian politicians are known for being corrupt and for abusing their political position for profit-making of their private companies. It seems further likely that they are easily manipulated by Chinese actors. It is very likely that Chinese capital is involved in many of the business imperia of the local Mongolian elite. On the one hand, it has been suspected that Chinese investors benefited from the privatization in Mongolia where they are said to have acquired shares through Mongolian bidders (The Economist Intelligence Unit 1997b, 41). On the other hand, business collusions between Mongolia's oligarchic elites and investors from China are likely since companies from Japan, China, and South Korea are generally more prone to invest in Mongolia in the form of joint-ventures than in the form of fully owned subsidiaries (Demirbag et al. 2005). In addition, many local officials legally and illegally award mining licenses against a bribe to Chinese companies or finance their own mining activities by Chinese entrepreneurs who later buy the product (Sieren 2008). In my interviews, many Mongolians expressed their belief that financial dependence of Mongolian decision-makers on

¹⁰Conversation Ulaanbaatar, 9 October 2009

the national level was the entry point for Chinese interests.¹¹

Since national politics in Mongolia have become dominated by oligarchic businessmen, it is very likely that Mongolian decision makers are pressured by their business relations. According to anecdotal evidence, the party secretary of the Civil Will Party, Zorigt, made use of an official trip to China to deepen his private business connections. He also represented the Golomt group which included Golomt Bank and payed much of the party's expenses. It is rumoured that much to the embarrassment of his Mongolian fellows, he continued to discuss his private business interests with the Chinese counterpart immediately after the completion of the official part of the visit which he led in his function as party secretary.¹²

It is also simple corruption that makes Mongolian decision makers and officials vulnerable and manipulative. Corruption is a home-grown illness in Mongolia. The country's immense richness in terms of natural resources and the competition among foreign investors to achieve access to these resources further exacerbated the problem. As will be shown in the following section, notwithstanding this high level of corruption, due to Mongolia's democratic structures with a relatively large winning coalition, Chinese companies face difficulties to realize their interests in Mongolia's natural resource deposits by solely targeting private goods at the Mongolian business elites or decision-makers.

China and the Mongolian electorate

Due to the strong Sino-phobic emotions among the Mongolian population, Mongolian policy-makers can hardly take on a very pro-Chinese position in public, even though they may cooperate with Chinese business interest in private.¹³ It appears that the Chinese government has begun to understand the incentive system of Mongolian decision-makers and in particular the image problem that China faces in Mongolia.

In accordance with this insight, the Chinese government has implemented mea-

¹¹Conversation Ulaanbaatar, 6 October 2008; 14 October 2009

¹²Conversation Ulaanbaatar, 12 October 2009

¹³This is also the reason why it is incredibly difficult to obtain data on Chinese engagement in the country. There is no political will to be transparent on this issue, neither on the Chinese nor on the Mongolian side.

asures to increase the receptiveness to Chinese interests in Mongolia. More specifically it tried to address the Mongolian population and to show its goodness to the population. Even though it is difficult to gain a comprehensive picture about Chinese financial engagement in Mongolia and specifically its aid to the Mongolian government¹⁴ several Chinese philanthropic activities were cited in local newspapers: In addition to investment related projects for example, the Chinese government provided disaster relief in order to mitigate winter livestock disasters from 1997 to 2002 (US\$200,000 in 1997; US\$240,000 in 2001), and an aid shipment of 2,000 tonnes of wheat in 2007. Moreover, it provided funds for solar-powered generators, hospitals, and the repair of bridges (Rossabi 2005a). It also abandoned visa requirements for Mongolian citizens and allowed them to use the Chinese health care facilities for medical treatment (Campi 2005). In 2003, the Chinese ambassador donated Tugrik 3 million (approximately US\$2300) to handicapped elderly Mongolians (The UB Post 2003b).

In 1996, an educational exchange program was initiated which enabled Mongolians to study in China with Chinese free loans from 2000 onwards. The educational cooperation was drastically reinforced during the last decade: In 2008, a Confucius Institute (the Chinese official language institution) was established at the National University of Mongolia. Symptomatically, this was announced in Mongolian newspapers with the headline: ‘Confucius Institute Aims to Change Famously Frosty Attitudes’ (Tucker 2008). ‘Unlike in the past, in 2009 China aggressively promoted its culture in Mongolia, trying to charm Mongolia with its soft power by training large numbers of Mongolian students and teachers of the Chinese language’ (Bulag 2010, 102). While 180 Mongolian trainees and students received education in China, only 15 Chinese trainees went to study in Mongolia between 2002 and 2003 (Ministry of Foreign Affairs of the People’s Republic of China 2010). On a visit to Ulaanbaatar in 2010, premier Wen Jiabao announced to offer 2,000 additional government scholarships to Mongolian students during the next five years and to invite 300 youths from Mongolia to visit China. He also initiated the establishment of youth exchange mechanisms (Sumiyabazar 2010b).

¹⁴In 2003, China donated \$US4 to the Mongolian government to support the construction of the Mongolian Chamber of Commerce and Industry and the development of the industrial park of the free trade zone in Altanbulag (The UB Post 2003a). The Chinese provided the funds for 5 km of the millennium road.

Given that Mongolia's total population amounts to less than 4 million, the extent of the program is astonishing. Observers have linked these efforts directly to the attempt to 'oil bilateral economic cooperation, especially in the mining sector' (Bulag 2010, 102).

In another approach to improve its public relations and to work on a better Chinese image among Mongolians, the Chinese government has specifically addressed the Mongolian educational elites as a link to the broader society. The Chinese Academy of Social Sciences, a leading Chinese think tank connected to the Ministry of Foreign Affairs, has established a joint Chinese-Mongolian research project to jointly re-write Mongolia's political history between 1911 and 1990. I was told researchers would work hard to arrange history and to reach consensus on disputed issues.¹⁵

But the Chinese government also punished the Mongolian population collectively, for a visit of the Dalai Lama to Ulaanbaatar in 2002, where he was received by Mongolian politicians. To sanction this visit, the Chinese government used its asymmetric economic leverage and closed cross-border train traffic for several days under the pretext of technical reasons (Rossabi 2005b). Given the high dependency on Chinese imports, this sanction was felt drastically and by everybody as prices for consumer goods increased dramatically immediately (Sarlagtay 2007).

Summary

To conclude this section two observations should be emphasized. On the one hand, the Chinese government makes efforts to maintain good state-to-state and party-to-party relations by investing in ties with both Mongolian policy-makers in their function as members of the parliament or the cabinet and the Mongolian parties regardless of whether they are in power or in the opposition. Many of the Mongolian politicians are oligarchic and have own business interests. They are knowingly corrupt and abuse of political positions for profit-seeking is common. The extent to which this is a gateway for manipulation from China is difficult to assess.

But despite rampant corruption among politicians and officials it should be

¹⁵Conversation, Beijing 31 October 2009

noted that Mongolia's democratic institutions with a relatively inclusive coalition and a public opinion that happens to be overtly Sino-phobic thus far have restrained Mongolian decision-makers to sell-off Mongolia's vast natural resources against private gains. As a consequence, the Chinese government has specifically addressed the Mongolian population as a second important member of the winning coalition with philanthropic programs to show its goodwill and to improve China's reputation among ordinary Mongolians.

Somewhat at odds with my theoretical predictions, in section 9.4.3 it will be discussed that the Chinese government also tried to reach out to the Mongolian armed forces to which it donated more than US\$1 million during the second half of the 1990s. However, the military does not play an independent role in the Mongolian winning coalition.

9.4. Realization of Chinese interests

Having presented the political economy of the Mongolian political system from the perspective of the selectoreate theory, I will investigate in how far this interaction is conducive to the realization of Chinese interests in this section.

9.4.1. Territorial integrity and the 'one China' policy

The issue of territorial integrity is delicate in Sino-Mongolian relations, because there are several different minority issues in Sino-Mongolian relations that are directly or indirectly connected to China's domestic security and political stability: a Mongol minority living in China's Autonomous Region of Inner Mongolia, the Dalai Lama's popularity among Mongolian Lamaist, and Muslim minorities in western parts of Mongolia and the Chinese Autonomous Region of Xinjiang. The role of these issues is usually down-played and therefore the extent of mutual agreement on these topics is difficult to assess.

In this regard, the Taiwan question is probably the least dodgy topic, but the position Mongolian politicians take in the Taiwan question still is a reluctant one only. To a certain extent the government gives in vis-à-vis the Chinese interest, but it has tried to restrict its concessions to the lowest common denominator.

Mongolia's adherence to the 'one China' policy is repeated as a standard statement whenever a Sino-Mongolian official convention takes place. There have never been official diplomatic relations between Taiwan and Mongolia. This was caused by the fact Mongolia was considered part of China by the Chinese Communists considered as well as by the Kuomintang. Therefore, according to the Taiwanese constitution, Mongolia was considered a part of the Republic of Taiwan and the Taiwanese government vetoed Mongolia's accession as a member of the *UN* in the 1950s and 1960s.

In 2002, Taiwan upgraded Mongolia's status by acknowledging Mongolians to be entitled to visas, instead of entry permits (The China Post 2002). In the same year, a Taiwanese trade representative office was set up in Ulaanbaatar, a Mongolian representation in Taipei followed in 2003. In 2004, bilateral trade between the two countries had risen from close to non-existent to around US\$5 million per year. Recently over 30 Taiwanese-run companies were identified in Mongolia (Hsu 2005). Taiwan has also evolved as a migration destination for Mongolians. With its relations to Taiwan becoming more rather than less formalized during the last decade, Mongolia's compliance with the 'one China' policy with regard to the Taiwan question is reluctant only.

Mongolia's dealing with the Dalai Lama is much more complicated than the Taiwan question. China's request to repudiate the Dalai Lama makes the Mongolian leaders chose between a policy pleasing their own coalition and selectorate and one that is beneficial to the Chinese leadership, but is opposed by the majority of Mongolians. For this reason, Mongolian leaders were only partly willing to comply with this interest of the Chinese government. Therefore, their position on the compliance spectrum is somewhere between refusal and reluctance.

Mongolian Buddhism has invigorated after a period of suppression under socialism. Today it is considered to form part of Mongolia's national identity. Moreover, there are close historical links between Buddhism in Tibet and Buddhism in Mongolia, as both follow a Lamaist tradition. The Dalai Lama is the religious authority for Mongolian Buddhists. He has visited Mongolia seven times since 1979, two times after 2000 when China's rise had become more manifest (Chung 2009). In reaction to the Dalai Lama's 2002 visit, when he was received by Mongolian politicians, the Chinese government closed cross-border train traffic

for several days under the pretext of technical problems. During his visit in 2006, the Dalai Lama was not received officially by government representatives, but most likely met the President in private (Sumiyabazar 2006). Although there was no state reception, the Chinese government subsequently suspended a high-ranking diplomatic meeting between both nations (Sarlagtay 2007).

The Dalai Lama issue touches the core of contradicting values and concepts of the political order in China and Mongolia. Mongolians understand their nation as a democratic country committed to religious freedom whereas the Chinese government expects Mongolian politicians to restrain religious practices in favor of the *CCP*'s interest to preserve the repressive political order. So far, the Mongolian government has not been ready to sacrifice political freedoms and civil rights for the sake of Chinese stability.

But the Dalai Lama issue is very likely to remain a stumbling block or could even become more delicate in the future: The Dalai Lama has indicated that the 15th Dalai Lama should reincarnate in a democratic country. A Dalai Lama from Mongolia would complicate China's difficulties with its domestic minorities because as a Mongolian he would most likely enjoy great support from the Mongolian minorities in China's Autonomous Region of Inner Mongolia and increase their identification with both Buddhism and Mongolia. This would extend the Chinese authorities' concerns of separatism from Tibet to Inner Mongolia, which recently has been a relatively quiet region.

One Mongolian analyst reasons that even though the Chinese government would have greater oversight over a Dalai Lama in Mongolia than in India because it has more means of influence over Mongolia than India, one can expect that Chinese authorities will try to avoid an independent nomination of the Dalai Lama at all by appointing a different person.¹⁶ This scenario would most likely pose a great challenge for Mongolian policy makers to manoeuvre between the Mongolians request for religious freedom and the Chinese government's interests. 'The dilemma between responsiveness to voters' preferences and national security, which surfaces

¹⁶This is possible, because there are conflicting interpretations of the recognition process. In 1996, in contradiction to the announcement of the Dalai Lama, Chinese authorities announced a six-year-old boy as the figure of succession of the Panchen Lama, whose previous figure had deceased earlier. Shortly thereafter, the Panchen Lama recognized by the Dalai Lama and the lama, who had found this Lama disappeared (Sarlagtay 2007).

every time the Dalai Lama visits, will likely become more crucial in domestic politics [...] Religion in Mongolia is not yet politicized, but surely will be if it faces a political challenge from China' (Sarlagtay 2007, 90).

The Dalai Lama issue indicates that the Chinese government has successfully used its economic leverage to restrict the Mongolian government's manoeuvring space in its dealing with the Tibet issue. However, it has by no means achieved a complete submission of the Mongolian government and it is also very unlikely to be successful in the future. This is because domestically, the Mongolian leaders are dependent on the electorate's approval and are therefore very much vulnerable to public opinion. Mongolians identify themselves with Buddhism. It is, however, most noteworthy that with the closure of cross-border traffic, the Chinese authorities did not specifically target the Mongolian leaders, but chose to punish both decision-makers and the voters.

9.4.2. Access to natural resources

Seen from an economic perspective, the Chinese government pursues two objectives in its relations with Mongolia. Firstly, the Chinese government launched an agenda of regional integration with its neighbors in order to enhance economic growth in its underdeveloped western provinces. It has been a declared goal to achieve development in the northwest and northeast of China with the aim of securing political stability in these specifically remote, but strategic areas such as Gansu, Ningxia, Shanxi, and the Xinjiang and Inner Mongolia Autonomous Regions by regional economic cooperation with neighboring countries. Thus, Mongolia and other Central Asian countries have increasingly been addressed by China (Rossabi 2005a). Secondly, the Chinese government is interested in exploiting Mongolia's vast deposits of natural resources to spur growth of China's economy. With respect to this second objective, Mongolia is probably the country in which the Chinese government has faced most difficulties.

With regard to the first point, Mongolia's trade flows are naturally dominated by business with its direct neighbors, China and Russia, due to its landlocked position. Mongolia's only access to the north pacific is through the Chinese port of Tianjin which has been leased from the *PRC* since 1991. Reaching Tianjin,

however, implies transportation through more than 1,000 km of foreign territory.

While trade with Russia decreased from 80% to approximately 25% from 1990 to 2001 China's share with Mongolia increased steadily from around 2% to more than 35% (Campi 2004). While Russia remains the number one import partner; China is the number one export destiny: In 2008 trade with Russia accounted for 38.4% of all imports, mainly fuel. 80% of Mongolia's energy needs is met by Russian imports. In contrast, 64.5% of all exports, most of them metals and ores, went to China (The Economist Intelligence Unit 2010, 15). Mongolia's exports to China totalled US\$474.2 million in 2010 (The Economist Intelligence Unit 2010, 20).

The Mongolian economy does not only depend on its two neighbors for its trade; China is also the biggest investor of foreign investment in Mongolia, even though numbers on Chinese investments in Mongolia are controversial. In 1998, over \$24 million, or 64% of the investment was reported to be supplied by Chinese firms (The Economist Intelligence Unit 1999, 55). This number apparently fell during the early 2000s, but thereafter it increased again. In 2003, Chinese FDI accounted for 38% of all FDI in Mongolia and amounted to US\$1.68 billion in 2008 (Yan 2009).

Given the strong inroads that Chinese capital has made into the Mongolian economy, astonishingly little is known about these Chinese investments. The majority of these investments are small in scale and technologically poor in the retail and gastronomic sector (Batchimeg 2005b). The textile sector also attracted Chinese investments until 2005 because of export quotas to the U.S. market (The Economist Intelligence Unit 2005a). In 2000 the construction of a Mongolian-Chinese industrial zinc venture was reported as the first large Mongolian-Chinese mining venture (The Economist Intelligence Unit 2000b). A second major Chinese investment project, Heilongjiang Huafu Industrial's US\$200 million oil refinery followed in 2005 (The Economist Intelligence Unit 2005b). According to the local newspaper UB Post the number of Chinese-owned metallurgical plants in Ulaanbaatar increased from eight in mid-2006 to 40 by the end of 2006 (Batmonkh 2007).

If Chinese investment in Mongolia remains opaque, there seems to be consensus on the view that Mongolia's economic reforms have promoted Chinese investments

in Mongolia. Radical liberalization deprived the Mongolian government of the means to protect domestic processing industries against competition from China where access to capital to buy inputs, such as raw cashmere for example, was generally better (The Economist Intelligence Unit 1996b). ‘The shock therapy proposed by these [international donor] agencies has actually facilitated Chinese leverage over the Mongolian economy’ (Rossabi 2005a).

With regard to the second point, China’s strategic interests in Mongolia’s resource sector, I will now turn to China’s attempts to strategically invest in the Mongolian mining sector. Mongolia has a dozen major and many small-scale resource deposits. The government does not have the financial and technological capacity to exploit these natural resources. But a number of mining companies from Canada, Australia, the U.S., China and Russia are interested in these deposits. Some of these deposits are expected to give the exploiting company some leverage over world market prices because of the immense size of these sites. It is noteworthy that in order to develop these two sites the construction of major transportation routes for export are needed which are of strategic relevance in their own right. The length, route and gauge of the railway will determine the competitiveness of Mongolian exports, the economic development of the country as a whole, and the potential leverage of its neighbors over the Mongolian economy. By now, there is only one railway line running through Mongolia from north to south connecting Moscow with Beijing. This line has the Russian gauge, which is not compatible with the Chinese gauge.¹⁷

The exploitation of three major mining sites has been discussed recently, and each of these is telling in the way how this situation is handled. The Oyu Tolgoi case sheds some light on the weak moral and the desire of making private gains out of the mineral bonanza on a great part of the Mongolian parliament and cabinet members. In connection to that, it also gives insight in the incapacity of the state institutions to effectively implement and control the law. Contest over the Tavan Tolgoi and the Madrai resource deposits are telling too: The Tavan Tolgoi case delivers some insights in the complex strategic considerations around awarding exploration concessions and in the reluctance of the Mongolian government towards

¹⁷Conference on ‘Strategy for Railway Infrastructure Development of Mongolia’, Ulaanbaatar, 14 October 2009

Chinese investors for strategic reasons. The Madrai case, finally, sheds some light on the re-emerging leverage of Mongolia's northern neighbor Russia and illustrates the limits of Mongolian manoeuvre space. All these sites will be discussed in more detail below.

Oyu Tolgoi, is among the world's largest copper (36 million tons) and gold (45.2 million ounces) mines, and is located only about 80 km from the border to China in South Gobi province. It is the first of Mongolia's enormous resource deposits to be developed. The wealth of Oyu Tolgoi was discovered by Ivanhoe mines, a small Canadian drilling company in the early 2000s. Initially, Ivanhoe had the extraction licences with a 2% royalty for the Mongolian government. When it became clear that the deposits of copper and gold were much larger than expected (The Economist Intelligence Unit 2003) the Mongolian public questioned the fairness of the agreement resulting in protests against the company. Consequently, the government tried to raise its benefit out of the mining operations, culminating in the introduction of a 68% windfall tax if the world market price of copper and gold would rise over a certain level. The government also amended the mining law and introduced new regulations on the award of exploration and exploitation licences, banned the free transfer of licences, and issued higher tariffs for licences. It was also proposed that 'the state should be entitled to a 30% share in 'strategically important' deposits' even if licences had already been rewarded to foreign investors (The Economist Intelligence Unit 2006, 13f). Negotiations on the terms of the exploitation contract went back and forth. Only in 2009 and after several proposals had been dismissed, an acceptable investment agreement was reached establishing a stable long-term tax and regulatory environment (Bulag 2010). Having invested a considerable amount of money into the exploration in Mongolia, Ivanhoe Mines almost went bankrupt during this time. But it found an international partner, Australian Rio Tinto.¹⁸

¹⁸Therefore, Mongolians have closely followed the detention of four staff members of Rio Tinto's Shanghai office in July 2009 because of allegations of spying, stealing state secrets and bribery. Because Rio Tinto's chief negotiator of iron ore trade, an Australian citizen, was among the detainees the international press connected the allegations with failed negotiations on iron ore prices between Rio Tinto and the China Iron and Steel Association. Rio Tinto is one of the major iron ore suppliers. Raw materials are delivered to the large steel mills at annually negotiated prices. But because the Chinese domestic iron ore market is organized in a two-tiers system, large steel mills, represented in the China Iron and Steel Association, could

It is widely believed in the Mongolian civil society that the whole process of finding the Oyu Tolgoi agreement was delayed so much, because of corruption and greed. Covered behind the discussion on the state's role in exploration operations, the members of the parliament and the government not only tried to increase their private gains in the investment deal but were also subject to manipulation and corruption from investors. Both resulted in chaotic and inconsistent voting-behavior in the legislature (Baabar 2009b).¹⁹ According to the constitutional order described in section 9.2 neither the parliament with its 76 members nor the 15-member cabinet nor the president have the authority to take any independent decision. In addition to mutual veto rights, there is a lack of clarity on the scope and sectors of competences assigned to either of the institutions. Matters became even worse when the government changed after the elections in 2008.

'For the last 6 years, corruption system developed almost perfectly through 3 parliaments that the OT [Oyu Tolgoi] agreement faced. There is unverified rumor that the Government officials during the last three parliaments were given enormous amount of bribe by Ivahoe Mines. This is the main excuse for the next parliament to demand their share of bribe from Ivahoe Mines' (Baabar 2009b).

Interestingly, government officials were not only corrupted, they even perverted the very process of democratic participation and started to organize protestors

buy large iron ore stocks at low fixed prices. These were later sold on the black market at higher prices to smaller steel mills which had to acquire raw material at the spot price (Barboza 2009b). During high world market prices, this system was very profitable for the large steel producers. When demand in iron ore dropped in 2009, however, the China Iron and Steel Association refused to accept the price cuts of 33% as proposed by Rio Tinto and Japan's Nippon Steel Corporation and accepted by Japan and Korean steel producers (Barboza 2009a). In Australia, the detentions were perceived as a Chinese retaliation against Rio Tinto, because the Australian government had refused a 19.5 billion bid to increase its shares in Rio Tinto by the state-owned Aluminium Corp of China, Chinalco, only a few weeks earlier. In 2008, China imported 440 million tonnes, or half of the world's total iron (Xinhua 2009). It therefore would have greatly profited from a bigger share in Rio Tinto. This political motivation of the detentions seemed to be supported by the fact that several Chinese steel companies denied to be under investigation in the media (Barboza 2009b). In Mongolia, the Chinese attempts to increase its stakes in Rio Tinto was perceived as the attempt to acquire access to Mongolia's Oyu Tolgoi resources.

¹⁹Conversation Ulaanbaatar, 13 October 2009

to increase their own gains.²⁰ A survey showed that 80% of all Mongolians in fact wished to have the government accelerate the allocation of mining concessions, because in their election campaigns for the parliamentary elections 2008 the parties had promised to redistribute revenue from these mining sites directly to the population.²¹ Moreover, the exploitation of the Mongolian natural resources was expected to fill Mongolian tax coffers. Money that was urgently needed for development and poverty alleviation. Given these discrepancies, many ordinary Mongolians suspected that protestors oftentimes were orchestrated in order to blackmail foreign investors.

‘It’s becoming clearer that those protestors, who take to the streets, almost aiming fire-arms to investors, are organized by a few people in the parliament. There are documents of evidence left that some protests were headed by a Government cabinet official, demanding enormous amount of money’ (Baabar 2009b).

Baabar, the most famous columnist in Mongolia, openly criticized the short-time perspective of many Mongolian officials: ‘Everybody wants to have something for making decision on behalf [of] their home country’ (Baabar 2009a). He also warned that the widespread corruption and instable investment conditions played in the hands of Chinese investors.

‘Western investors cannot achieve a common understanding with Mongolian officials where in any other country corruption is considered as a commitment of crime. While, for Chinese bribery and corruption seems to be their native language. Mongolians understand this language perfectly’ (Baabar 2009a).

While personal greed was certainly a motivation on the part of some of the Mongolian officials to delay the whole process, others directly linked the messy state

²⁰While the initial agreement with Ivanhoe Mines seemed to be below international standards, the final agreement with Australian Rio Tinto and Canadian Ivanhoe Mines, by international standards, is however very beneficial to the country. It includes considerations on the technical and environmental standards to be applied and the employment and training of local labor (Oluun 2009b).

²¹Conversation Ulaanbaatar, 12 October 2009

of decision-making in Mongolia to the interests of its two giant neighbors (Tsenddoo 2010). According to those, both China and Russia gain most if Mongolia's resources are not exploited by Western companies. Critics argued that while the discussion on Western investors in Mongolia was vivid, Chinese and Russian investments were hardly questioned. Indeed, staff members of a Mongolian strategic think tank, considered it 'a very clever move' by the president to focus public attention on the Oyu Tolgoi agreement, while secretly negotiating with Russia over the uranium fields in Madrai.²²

Due to anti-Chinese emotions among the population, it would certainly be very difficult for Chinese companies to acquire shares in the major mining deposits in such a discretionary way. During the 1990s, the Mongolian government had 'deliberately' kept to a minimum Chinese investments in state industries including the mineral sector (Campi 2004). On a visit in 2003, however, Chinese president Hu Jintao openly stated the Chinese interest in investing in Mongolia's mining sector and offered a US\$300,000 soft loan to improve infrastructure in the major mining area close to China (Batchimeg 2005b). The Mongolian government resisted pressure to quickly develop the area back then (Campi 2004).

Against this background, it was reasoned that demonstrations had been organized along with 'systematic steps' to scare-off western investors (Tsenddoo 2010). Although sounding conspirative, it was true that Western investors seemed to become less attracted to invest in Mongolia. In the context of the Mongolian considerations to amend the mining law and faced by several 'black mail' protests, the North American Mongolian Business Council alertly submitted a letter to the Chairmen of the Mongolian Security Council pointing to the lack of security and rule of law for investments in the mining sector (Open Society Forum 2005). In July 2010, Mongolia was rated the world's least attractive jurisdiction for mineral exploration and development by the Fraser survey (Shinebayar 2010).

In the course of the discussion on the first investment agreement on the Oyu Tolgoi reserves, competition over the second and third huge resource reserves, Tavan Tolgoi and Madrai, started. Tavan Tolgoi is the largest unexploited cok coal deposit in the world, also located in South Gobi province, approximately 180 km from the Chinese border. With 1.3 million tons, Madrai is the world's third

²²Conversation Ulaanbaatar, 6 October 2009

largest uranium reserve. It is situated in Mongolia's eastern Dornod province, approximately 300 km from the Russian border.

In July 2010 the Mongolian government approved a proposal to develop Tavan Tolgoi by a public listed company that operates mining, production, marketing and sales under the management of a state-owned corporation. Eleven international investors were named in Mongolian newspapers (Sumiyabazar 2010a). With respect to Tavan Tolgoi, China is definitely the closest and largest export market. The Chinese railway system has already been stretched to the Sino-Mongolian border, and the Chinese repeatedly offered to expand the railway into Mongolia (The Economist Intelligence Unit 2003, 14).

However, the reliance on China as the single export market makes Mongolian decision makers feel uneasy who fear their bargaining position in price negotiations could suffer. Therefore, alternative markets for high quality coking coal such as the South Korean and Japanese ones are also discussed (Mongolian Mining Journal 2009). This is despite the lack of transportation networks to these countries. The transportation costs would significantly increase the price of Mongolian minerals in these markets and thus reduce its competitiveness. In early 2010, the Mongolian parliament approved plans to build 5,000 km of new railways with Russian gauge indicating that the time-consuming and costly procedure of changing carriages at the border to China will be maintained (The Economist Intelligence Unit 2010).

Just as China is interested in Mongolia's raw materials, so is Russia. When the Mongolian government seriously begun to develop its resource deposits the Russian government started a political and economic come-back to the country.²³ Dating back to pre-1989 times, some Russian-Mongolian joint ventures are still existing, notably Erdenet, Mongolia's major copper mine in which Russia has a 49% stake (Blagov 2005) and the Ulaanbaatar Railway, a 50-50 joint venture of Mongolia's main means of transportation handling around 80% of domestic and 100% of export-import shipments (Ooluun 2009d). Despite these legacies, bilateral trade was slugging during the 1990s.²⁴ The Russian government was very

²³For different reasons, Russia's leverage over Mongolia declined dramatically during the first decade after the dissolution of the Soviet Union. With economic disintegration of the Soviet Union Russia was concentrated on its internal affairs. The normalization of Sino-Russian relations was another reason why Mongolia slipped out of the focus of Russian policy makers.

²⁴By 2008 trade only reached the level of US\$1.3 million. Russian investment from 1990 until

outspoken in the protection of its strategic and geo-economic interest in Mongolia's coal, uranium and railway sectors and put the Mongolian government under considerable pressure to set up Mongolian-Russian joint ventures. In April 2009, the Russian government used its 50% share in Ulaanbaatar Railway to forced the Mongolian government to cancel a US\$188 million modernization program of the Mongolian railway by the US Millennium Challenge Corporation (Sumiyabazar 2009). Instead, it promised to invest in Mongolia's transportation system itself. Russian investments in the Mongolian rail network were thereby conditioned on shares in Mongolia's exploitation activities in Oyu Tolgoi and Tavan Tolgoi, or 'at least 25% of the profits' respectively (Yakunin as cited in The UB Post 2009b).²⁵ Later that year, Russian President Medvedev increased his pressure on the newly elected Mongolian President Elbegdorj by unexpectedly confronting him with a claim of US\$180 million outstanding debts, an issue that was thought to be solved by the Mongolian public.²⁶ Most likely the Russian government will be successful in pushing through an agreement of joint exploration of Mongolia's uranium resources offering preferential access to Russian investors.

Comparing China's search for resources in different parts of the world, Sieren stated, that it was nowhere so difficult to engage in business for China as in Mongolia (Sieren 2008, 69). When the Oyu Tolgoi agreement with Ivanhoe Mines and Rio Tinto was announced, the Russian government released aggressive attacks in Russia's newspapers. China's English speaking newspapers, in contrast, published only a brief and emotionless note of the agreement (Xinhua 2009). Asked for their opinion on the Mongolian reluctance to give China access to Mongolia's natural resource deposits and whether they believed that the Chinese government should lobby harder for its interests in the future, Chinese academics responded that the Mongolians were well aware of China as the only market. Therefore, China did

2001 amounted to US\$29.7 million, but reached US\$57million by 2007 (Ooluun 2009c).

²⁵Given the bankruptcy of the Russian Railway, the nature of Russian interests, a blend of national security and large scale private business was very clear to many Mongolians. These interests were promoted 'especially by backing the interest of oligarchs and strengthening their support by means of raising its [the Russian government's] influence in Mongolian politics' (Ooluun 2009a).

²⁶It was however not clear who was to blame in this matter: Some claimed the money was paid, some claimed the money got lost underway and probably ended up in private pockets, some claimed the issue was never entirely settled, but former president Enkhbayar did not inform the public about this (Conversation Ulaanbaatar, 9 October 2009).

not need to lobby. Without consensus in the parliament nothing happened in Mongolia anyway.²⁷

Given these developments, it appears that the Mongolian strategy to develop its natural resource deposits is at best one of reluctant compliance with China. In its strategic thinking and in its orientation towards national security, the Mongolian government, takes a rather reluctant position when it comes to allocating major mining concessions to Chinese companies. For the sake of the national interest, it prefers to position itself rather at the refusal end of the compliance spectrum. In this context, fears of overdependence on the Chinese market and the limited willingness of Chinese investors to process these resources in Mongolia were mentioned. This even led the Mongolian government to reject Chinese offers to improve transportation networks to the mining areas, even though infrastructure is badly needed in the country.

Judged by its actions the picture looks different: Russia's leverage and the weak state capacity eventually push the Mongolian government back to the position of a reluctant compliant. The Mongolian government appears to have limited space for manoeuvring. Both, its landlocked position that results in lacking access to markets others than the Chinese and the Russian and the considerable pressure by Russia limit its capability to effectively choose between alternative investors. Moreover, the strategic attempt to protect Mongolia's economy from further domination by the Chinese is at odds with the erosion of the state's ability to implement state policies. Spongy borders, corrupt custom services and local officials are a reality. When the 68% windfall tax was introduced, gold sales to the central bank sank to half of the amount in 2005, official exports decreased by 13%, and illegal exports to China rose dramatically (Sieren 2008).

9.4.3. Geo-political interests in Mongolia

Sino-Mongolian relations illustrate very vividly the key issues in China's neighborhood policy. The relevant topics in Sino-Mongolian relations generally follow the overarching themes of Chinese regional foreign policy. In 2003, Hu Jintao named economic matters, security, and the support for Mongolia's policy against

²⁷Conversation Beijing, 31 October 2009

having foreign troops deployed within its borders as the three focal points of Sino-Mongolian relations (Wang 2009). Having illustrated the mixed results which the Chinese government achieved with respect to its economic objectives, I will now turn to China's geo-strategic aims in Mongolia.

Mongolia is a vast country; it is underdeveloped in infrastructure and transportation networks; it has long borderlines and only few inhabitants and it has proclaimed itself to be a nuclear-weapon free zone. Thus, if Mongolia ranks as a security issue on the Chinese foreign policy agenda it is not for its potential military threat. From the perspective of neighboring China, the security concern refers to Mongolia allying with any other major power. This could imply the potential deployment of military forces on Mongolian territory, which then would result in a direct threat to China's national security (Chang 2007, 20).

The Mongolian government pursues an explicitly stated strategy of balancing. Mongolia's relation to its neighbors has always been a vector of the relationship between both of them. Integration into the Soviet camp had strongly been motivated by the search for protection in order not to be crunched by China (Batchimeg 2005b, 51). Later on, deeply integrated into the Soviet camp, Mongolia had no other choice than to follow the Soviet attitudes towards China during the Cold War. During Sino-Soviet honeymoon period in the 1950s, Sino-Mongolian relations were cooperative and trade and assistance were flourishing. Following the Sino-Soviet split, Sino-Mongolian relations lied fallow for two decades, Soviet troops were stationed in Mongolia and the country's economy turned to be exclusively reliant on Soviet assistance (Campi 2004, 9, Batchimeg 2005b, 49). When the Soviet Union collapsed in 1989, Russian influence diminished significantly. Mongolia's subsequent orientation towards the West, and especially towards the former East and Central European Soviet satellites was strongly motivated by the fear of renewed Chinese dominance. In the post-Cold War period, Mongolia continued to balance the influence of its giant neighbors by the engagement of other great powers. While Mongolia's role as a buffer between China and Russia decreased in current terms, it was worrisome for the Chinese government that the U.S. evolved as a counterpart in the first decade of the 21st century.

In the early 1990s, the Mongolian government adopted the so-called 'third neighbor' policy. It sought non-involvement and neutrality with respect to potential dis-

putes between its two neighbors and was designed to counterbalance both, China and Russia, by the means of maintaining good relations to other powerful countries, be it the U.S., Japan, Britain or Germany. This policy became most effective in the aftermath of 9/11, when Afghanistan and the central Asian region received more attention by the U.S.. The Mongolian government took this opportunity to develop closer ties to the U.S.; it joined the war on terrorism and sent troops to Iraq and Afghanistan. In 2004, the Bush administration announced that Mongolia would receive a US\$1 billion grant within the framework of the Millennium Challenge Account. A joint statement between of the two presidents was issued declaring 'a new era of cooperation and comprehensive partnership between two democratic countries based on shared values and common strategic interests' (Khirghis 2005, Byambasuren 2006, 23). In the course of 2005, the U.S. was pushed out of Central Asia by the members of the *SCO*. In the context of closures of some U.S. military bases in Uzbekistan and Kyrgyzstan, Mongolia's strategic position increased. In 2005, for the first time ever, an American president paid a visit to Ulaanbaatar.

Thus, after 9/11, the 'third neighbor policy' became more successful in its aim to enhance the security situation of the country. In 1994 already, the Mongolian military forces held joint training sessions with the U.S. army. The Mongolian armed forces also received equipment, funding and training facilities from the U.S.. In 2001, a joint humanitarian rescue exercise was carried out and from 2003 onwards the previously small-scale rescue missions carried out by civil defence troops were expanded to annual large-scale manoeuvres in Mongolia. These exercises were expanded in 2006 again to multinational coordinated warfare training sessions including regular army troops from the seven nations of Mongolia, the U.S., Bangladesh, India, Thailand, Tonga and Fiji (Wang 2009).

Mongolia's rapprochement with the West has not passed unnoticed by the Chinese government which tried to counterbalance U.S. leverage over the Mongolian government. For example, after Mongolia had enjoyed its first visit of an American president in 2005, the Mongolian president was invited to Beijing. In order to balance U.S.-Mongolian relations a Chinese-Mongolian joint statement was released declaring both countries would not ally or sign any treaty or agreement with a third country that may adversely affect the interest of each other (Wang 2005b).

The Chinese government also specifically addressed the Mongolian military. In

1997 and again in 2000, China provided more than US\$1 million of military assistance in total, amongst others to finance two Chinese language teachers (The Economist Intelligence Unit 2000a, 49, The Economist Intelligence Unit 1996a, The Economist Intelligence Unit 1997a). Consultations on security and defense between China and Mongolia were started in 2004 (Wang 2009). In 2009, a first joint military exercise with Mongolia, Singapore, Gabon, Russia and China were held (The UB Post 2009a; Bulag 2010). Multilaterally, the Chinese government attempted to integrate Mongolia into the *SCO* to balance Mongolia's coalition with the U.S. by offering observer status (Campi 2005).

Different Mongolian governments adopted the 'third neighborhood policy' as a strategy to increase Mongolia's security situation. Mongolia clearly pursued a strategy of balancing Chinese and Russian influence by choosing the U.S. as a strategic partner. The orientation towards America and the European Union - including the choice of a democratic political system - after the collapse of the Soviet Union was a deliberate strategy to move closer under the security umbrella of the U.S.. Also, the support of the U.S. was seen 'as a guarantor of Mongolian democracy' (Bulag 2010, 102). Subsequently, Mongolian governments tried to increase attention of U.S. leaders to their country. The terrorist attacks in 2001 were helpful to this end.

However, due to its landlocked geographical position, Mongolia's abilities to bend too strongly to one or the other side are limited. On the one hand, all traffic must pass through Russia or China. 'If China or Russia refuses to open up airspace or seaports to Mongolia, then its multinational joint exercises with other countries and the successful arrival of the related personnel and equipment would be cut off' (Wang 2009, 25). This actually happened in August 2008 when Chinese authorities did not allow foreign military aircraft to fly over its territory during the Beijing Olympic games (Bulag 2009). The success of this strategy was also dependent on the strategic importance American decision-makers attributed to Mongolia and their willingness to engage in Mongolia. Some strategic thinkers in Mongolia believed U.S.-Mongolian relations already passed their zenith after Mongolia had withdrawn its troops from Iraq in autumn 2008. However, Mongolia still had one asset of formidable American interest: its traditionally good relations to North-Korea and the potential role Mongolia could play as a mediator

in the North-Korea question in the future (Endicott 2005).

On the other hand, from the diplomatic language it could be read that the Mongolian government's space for manoeuvring to truly choose its position was limited. It had to pay a visit to the Chinese government after having received the U.S. president and Beijing could impose a declaration of non-alignment on the Mongolian government. Furthermore, the economic dependence of Mongolia on the *PRC* gives the Chinese great leverage to sanction Mongolia's snuggling with any third neighbor. For example, Chinese fear of U.S. influence in Mongolia emerged as a reason for avoiding to built a new gas pipeline from west Siberia to China through Mongolian territory in 2001 (Batchimeg 2005b, 56). Instead, the pipeline was built along the Japan-bound Taishet-Nakhodka route and Mongolia was left out. The Mongolian government had hoped to gain from better infrastructure, transportation networks, and opportunities to increase its state revenues through transit fees (Blagov 2005; Rossabi 2005b).

Against this background, the Mongolia's compliance with China's geo-strategic interests is classified as a reluctant one. It became clear that the Mongolian government preferred to balance China more actively, but it clearly did not have the possibilities to do so. It ended up hedging. However, given its small manoeuvring space, its geographic location sandwiched between Russia and China and the great economic leverage of China over Mongolia, the Mongolian act of balancing was quite impressive.

9.5. Summary of findings

I conclude this case study with a summary of my findings. First of all, with respect to Mongolia's compliance to Chinese interests, China's success was limited. The Chinese government faced serious opposition and sceptical reluctance to respond to Chinese interests in all three key issue areas of China's foreign policy despite the considerable leverage of China over Mongolia. Mongolia's compliance to the interests of the Chinese government was average at best.

1. 'One China' policy: With respect to the status of Taiwan, Mongolia acknowledged the *PRC* as the only Chinese state, but it enjoyed vivid relations

with Taiwan, and unofficial representations have been established in both of the countries during the last years. Against the background of Mongolian Lamaism and a broad sympathy for the Dalai Lama among the population, the Dalai Lama has visited Mongolia several times. His Holiness was even received by the Mongolian government in 2002 which caused drastic reactions on the part of the Chinese authorities. The Mongolian government did, however, not oppose a renewed visit in 2006, although it then stressed the a-political nature of Dalai Lama's visit. This position corresponded to a reluctant compliance with Chinese interests.

2. Access to natural resources: The Chinese government faced deliberate opposition by Mongolian policy-makers with regard to Mongolia's huge natural resource deposits. In a heated public debate on the exploitation of Mongolia's top mineral deposits fears of Chinese companies extracting the minerals without developing the country were raised. Moreover, in the past, the government rejected offers of the Chinese infrastructure investments in Mongolia's mineral rich regions, literally denying the Chinese access to Mongolian natural resources. Hence, the Mongolian government refused to comply with Chinese interests.
3. Geo-political interests: Different governments in Mongolia pursued the 'third neighbor' policy which aimed at balancing the influence of China and Russia. As a result, the Mongolian government showed a reluctant position on the spectrum of compliance with China.

From this one can conclude that even though the role of the electorate appeared weak in comparison to that in consolidated democracies, the electorate actually played a significant role in Mongolia. The elections in Mongolia suffered from serious draw-backs not only in terms of fairness, but also in terms of linking parties to a political direction. Due to the lack in programmatic orientation of the major Mongolian parties, voters faced difficulties to direct decision-making into a programmatic direction and to sanction misbehavior on parts of the parliamentarians. Doubtlessly, many Mongolian politicians were very much concerned with their private gain and neglect national welfare.

However, the majority of voters formed part of the winning coalition. Therefore, a certain responsiveness to the voter was required. Policy-makers needed to react to public concerns and could not completely ignore the population. Despite considerable corruption and intransparency a public discussion on the distribution of national resources evolved. In 2006, the government announced its participation in the Extractive Industry and Transparency Initiative. Furthermore, the names of interested foreign investors were released, a tendering process was opened and concessions were awarded on the basis of competition at least for the main exploitation sites. Certainly, these processes were not without irregularities and the lower public attention, the more irregularities were to be expected, for example with regard to smaller mining sites and subsidiary companies.

Second, even though the process of coming to the Oyu Tolgoi investment agreement, and the frequent reversals of drafts gave rise to many questions, the agreement itself corresponded to international standards. The Mongolian government did not sell its natural deposits under value, neither in terms of profit participation nor in terms of work and environmental standards. At least in these high profile projects, it did not trade short-term private benefits against long-term public losses.

These domestic incentives had consequences for the Chinese-Mongolian relations and the interaction between Chinese and Mongolian actors. On the one hand, Mongolian politicians tried to use public opinion and specifically the common anti-Chinese feelings of the population for their own sake of power politics. Political actors repeatedly played the China card to discredit political opponents.

On the other hand, Chinese actors reacted and adapted to Mongolia's political economy. The Chinese government well understood the democratic mechanisms in Mongolian politics and its implications in terms of incentives for Mongolian decision makers. Accordingly, the Chinese government addressed both the decision makers and to a lesser extent the electorate. Individual decision-makers were addressed directly through state-to-state and party-to-party relations, involving most likely business collaborations and corruption. The Mongolian public, the electorate was also directly and indirectly targeted. The border closure in 2002 in the context of the Dalai Lama's visit to Ulaanbaatar, for example, was seen as a collective punishment with the clear intention to let the nation feel China's

economic leverage over the country. From the perspective of the voter, it could be read as a call to abandon religious and spiritual practices and values in favor of economic well-being. But the Chinese government also tried to engage the Mongolian voters with positive incentives such as disaster relief, visa exemption or the access to Chinese healthcare facilities. Targeting at the very root of Mongolian Sino-phobia, the Chinese government even attempted to improve its standing in the Mongolian public with the help of Mongolian historians by changing historical narratives. The intention of all these attempts was to reduce voter's sensitivity and fear of China and Chinese engagement thereby increasing the space for manoeuvring for Mongolian leaders to respond to Chinese interests.

Finally, with respect to Mongolia's domestic stability, it is difficult to assess whether the increased Chinese interests affected the quality of Mongolia's democratic institutions. Even though Chinese companies were frequently accused for bribing Mongolian politicians, many Mongolians perceived corruption as a home-grown problem. Similarly, the various conspiracy theories around the violent riots in the aftermath of the 2008 elections, the astonishingly slow and reluctant attempts to investigate the incident and the refusal of any political party or figure to take political responsibility raised additional questions on the political culture in Mongolia.

Given the small size of Mongolia's economy together with its landlocked position, it seems that economic dependence on China - rather than manipulation - is a continuous threat to Mongolia's sovereignty. It seems that China is using this dependency to force Mongolian decision makers to comply with Chinese interests. However, they are doing so only very reluctantly.

10. Discussion of case study results

This chapter delivers a synthesis of the three case studies that were discussed in the three previous chapters. While each of them delivers valuable insights on the bilateral relations of the respective country with China in its own right, only a comparison of the three cases can test the validity of hypothesis H1. This is because the three cases vary in the size of their coalitions and H1 stated that China is more successful in realizing its interests in autocracies than in democracies. Moreover, the theory suggested that different patterns of compliance of small and large-coalition governments should cause the sender state to adapt its strategy vis-à-vis small and large-coalition governments. Small coalition governments were expected to exchange narrowly targeted private goods against policy concessions, while large coalition governments should demand broader public goods in exchange for compliance with the interests of the sender state. In consequence, one would expect that the population in large-coalition governments is addressed differently from those in small coalition governments. As a result, I expected the Chinese government to offer more non-targeted goods or policies that address the needs of the population at large to decision makers in democracies.

Differences in political systems were a criterion for case selection. Burma as a military autocracy has the smallest coalition including only the armed forces which occupy the most important state functions and the economy (Clapp 2007). Until the constitution of 2008, there was no formally defined selectorate (International Crisis Group 2009). The government's coalition was, and still is, very exclusive. Cambodia has a hybrid political system. It has a constitutionally defined selectorate, the electorate, which is excluded from the winning coalition, however. The winning coalition comprises a relatively small number of members of business

elite, the bureaucracy, and the military (Cock 2010a). Mongolia’s democratic political order has proven to provide for the most inclusive winning coalition of the three. It incorporates a significant part of the constitutionally defined selectorate, namely the majority of the electorate (Landman et al. 2005; Freedom House 2006). Yet the winning coalition seems to be dominated to a significant extent by more narrowly defined vested business interests represented by the Mongolian oligarchs (Barkmann 2006b).

Was the Chinese government more successful in realizing its interests in small coalition systems than in large coalition governments? As summarized in table 10.1, the findings of my comparative analysis do indeed suggest so. They are in favor of the theoretical argument. The governments of both small-coalition systems, Burma and Cambodia, were highly compliant with China’s interests. In Mongolia, the country with the larger coalition, the government complied only reluctantly or even refused to respond to China’s interests at all. In sum, in all issue areas, China could very successfully realize its interests in the small coalition countries, while it faced difficulties to pursue its objectives in the large coalition country. This comparative finding is in support of H1.

Table 10.1.: Results of the Case studies: Compliance by issue area and country.

Country	coalition size	Issue area		
		territorial integrity	ressource access	geo-politics
Burma	small	eager	eager	eager
Cambodia	small	eager	eager	eager
Mongolia	large	reluctant	refusal	reluctant

However, a closer look at the results, reveals some unexpected details which may hint at interfering variables. First, while the results strongly support the existence of a relation between compliance and coalition size, it appears that this relation is not necessarily linear. Contrary to the linear expectation, which would have suggested eager compliance by the very small coalition government of Burma, reluctant compliance by the small coalition government of Cambodia and refusal by the large coalition government of Mongolia, I observed both the very small and the small coalition governments to take eager positions. Similarly, the large coalition government in Mongolia, while being significantly less compliant with

Chinese interests than the smaller coalitions, takes on the refusal position only once, whilst it takes on the reluctant position with respect to the other issue areas. Furthermore, recall that in the detailed analysis I found the Cambodian government was more prone to blindly comply with the Chinese interests than the Burmese junta even though the coalition size of the latter was smaller than that of the former.

While these observations do not contradict hypothesis H1 as such, they suggest that other factors could be at play which also affect the level of compliance of a government. This is further supported by the difference between Burma's and Mongolia's actual position with respect to China's geo-political interests and their desired positions. In both cases, I observed that the two governments actually wanted to take on a position towards the reluctance and the refusal end of the spectrum, but could not do so.

This could possibly be explained by the fact that governments are constrained in their choices. In the case of Mongolia, I suspect that it could be its geographical location between Russia and China that constrained the options of the Mongolian government of how to deal with China. Even though Mongolia has good relations to the U.S., these relations are dependent on China or Russia allowing interaction between the two (Wang 2009). Similarly, in the Burmese case there are reasons to assume that its international isolation makes it more compliant with the *PRC* than the junta actually desires. In this case, as mentioned in section 7.4.3, the Burmese government would like to diversify its external relations. However, while India is not able to provide the necessary protection against international critics, the relationship with Russia thus far has not developed into a viable alternative to the links with China.

With respect to the actual interaction between the Chinese government and the different actors in the three case study countries, it proved difficult to shed light on this as most of the interaction takes place in a rather secretive environment. Certainly this complicates comparison between the three cases. Because reliable macro data are very scarce, and little is known about the interaction at the individual level, it is beyond the capacities of this research project to systematically compare whether the Chinese government interacts differently with different-sized coalition systems. Without any claim of comprehensiveness, a number of observa-

tions become apparent from my descriptive investigation relating to the question whether China treats the coalition partners and the disenfranchised differently in large and in small-coalition systems.

It is worthwhile to consider how the governments were addressed in the three differently sized coalition systems. First of all, the Chinese government was prudent to establish good state-to-state relations, no matter how big the winning coalition was and which actor claimed the power to form the government. In order to do so, it pursued a very pragmatic if not opportunistic approach accepting whoever prevailed in domestic conflicts over power. For example, in Burma the Chinese government welcomed the oppositional *NLD* to power after their earth slide victory in the 1990 elections, but later, after the military *SPDC* had restored their authority, the Chinese continued to accommodate the military junta (Ruisheng 2010). Similarly, the Chinese government pragmatically cooperated with the ethnic rebel militias as the de facto ruler in their regions (International Crisis Group 2009). In Cambodia, the Chinese government swiftly changed its loyalties from its former allies to its most hated rival Hun Sen after it became clear in 1997 that he would dominate the political scene for at least some time to come (Storey 2006; Marks 2000). With respect to Mongolia, this approach resulted in the acceptance of government turnovers after the elections in 1996 and 2000. In a nutshell, with regard to the power claims of governments elsewhere in the world, the Chinese approach - rhetorically enforced by the principle of non-interference - is dominated by pragmatism and turns a blind eye to the legitimacy question.

Second, and as a consequence of this approach, the Chinese government seeks to establish contacts to all potentially powerful political figures. The Chinese government tried to reach out to all potential challengers, whether they were members of the winning coalition or not. In all three case studies, the Chinese manner to approach these alternative actors seems to be rather similar. The focus is on building and maintaining networks, in which the targeted leaders are co-opted through courtesy vis-à-vis individuals. The leaders of these organizations are made more pro-China without necessarily receiving material or financial support for their organization.

Based on the Chinese assessment of their political potential, one can observe different treatment of these competing groups. In Burma, the Chinese govern-

ment established contacts to the opposition groups among the population after it perceived it necessary to increase the legitimacy of the current government. The Chinese government also attempted to make the Burmese opposition more receptive for inclusion in the existing coalition rather than challenging the current rulers (International Crisis Group 2009). Interestingly, the Chinese approached the Cambodian opposition parties only at times when they had the potential to become a coalition partner in the government while ignoring them during other periods in time (Kurlantzick 2007). In contrast, in Mongolia, where elections can easily lead to new government formations, the Chinese government through the *CCP*'s bodies maintains persistent party-to-party relations to all major Mongolian political parties (Batchimeg 2005a).

Although China is dealing with both governments and their challengers, all three cases suggest a strong emphasis of Chinese attention towards the coalition members as the primary targets of China's external engagement. First of all, two collective actors who happen to form part of the coalition in two of the cases seem to be the prime targets of Chinese engagement: The military and business elites. In all three countries, the armed forces were among the recipients of Chinese assistance. In Burma, they were provided with equipment worth more than US\$1.2 billion (Tin Maung Maung Than 2003; Guo 2007; International Crisis Group 2009). In Cambodia, they repeatedly received several US\$ millions of assistance (Storey 2006; Rith and Cochrane 2005; Burgos and Ear 2010). The military in both Burma and Cambodia was among the most important coalition members. But even in Mongolia, where the military is no independent coalition member, China invested at least US\$1 million in the Mongolian armed forces (Rossabi 2005b; Liu 2007).

Furthermore, business elites seemed to be specifically addressed in Cambodia and Mongolia where they formed part of the coalition. In how far business tycoons in Burma are addressed independently, was difficult to assess. In Burma, they built the financial bases of the military rule, but they are often army-bred. These business elites, with close connections to the government, are used both for political and economic objectives. They serve to channel specific political Chinese interests to the government (Jeldres 2003; Lintner 2002) and as native business partners for investment projects in the respective countries (Global Witness 2009). In contrast, the bureaucracy which was identified as a coalition member in Cambodia, was no

particular target for Chinese engagement, at least not observably. This might reflect both the incapacity of state organs and the fact that the bureaucracy is dominated by *CPP* personnel in Cambodia. Therefore, targeting the party leaders instead of state institutions is probably more efficient.

Moreover, the Chinese willingness to massively provide subsidised loans, credits and grants to other governments in order to invest in infrastructure projects provided by Chinese companies or to procure Chinese goods seems to reflect the composition of the Chinese winning coalition. The Chinese winning coalition itself is dominated by business interests and a very strong military that has commercial interests too. Among the most striking examples of this is the provision of grants and loans to the Burmese and Cambodian governments to procure military equipment while the Chinese military-industrial complex is very closely connected to the highest Chinese leadership.¹ Similarly, the Burmese and Cambodian procurement of container scanning systems from a Chinese radiation company with a monopolist position in the Chinese market was financed by subsidised state loans and grants from the Chinese government. Hence, close connections exist between this company and the families of the Chinese political leaders, too.

Finally, I found that the way the broader population of a country was addressed by the Chinese government differed depending on whether it belonged to the coalition or not. Apart from disaster relief after the 2004 tsunami and the 2008 cyclone, the Chinese government has not specifically addressed the Burmese people. Even this humanitarian aid was given to the military government, in one case even to the ministry of defense and it is therefore highly questionable whether it has fully reached the affected communities (Chenyang and Fook 2009; Xinhua 2008a). The sole program specifically designed for the rural population in Burma's northern provinces under the command of the ethnic rebel groups, was a Chinese crop substitution program. It targeted at mitigating the negative effects of the opium ban for former poppy growing rural dwellers, but was misused by Chinese agro-business companies and had disastrous consequences for the rural population it addressed (Kramer 2009; Chenyang and Fook 2009). The marginalization of the Burmese population by the Chinese government is in line with the theoretical expectation

¹Its front company Poly Technologies Corporation, for example, was managed during the 1980s by Deng Xiaoping's son in law.

according to which only important coalition members are addressed. Even though targeted at the population, the crop substitution program is not in contradiction to this, since it arose from China's self-interest to stop drug trade from Burma to Yunnan province. China did not really seem to care very much that the interests of the Burmese population were in fact not furthered by the project.

In Cambodia, where a detailed data base on China's economic assistance exists, none of the projects addressed the broader society (Council for the Development of Cambodia 2010). Improved infrastructure is, of course, beneficial to the whole population, but the Chinese infrastructure projects are not formulated to improve the access of Cambodia's remote country side to domestic markets as such, but aimed at developing the main transport corridors which in turn serve Chinese business interests.

Interestingly, however, the Chinese government strongly supported the ethnic Chinese communities in Cambodia to expand their services in the educational sector to ordinary Cambodians (Kurlantzick 2008). As a result, the Chinese language schools evolved as a channel which the Chinese government later used to reach out to the Cambodian society in order to spread the Chinese point of view and to promote its interests (Marks 2000). This finding seems to contradict the theoretical reasoning which predicts that actors that are excluded from the coalition would not be addressed.

It appears that in Mongolia, the only country in which the electorate forms part of the winning coalition, the population is significantly more addressed by China than in any of the two other case studies. For instance, the Chinese government assisted Mongolia in handling crises provoked by extraordinary harsh winters and provided funds for solar-powered generators, hospitals, and repair of bridges (Rossabi 2005a; Campi 2005). The Chinese attempt to approach the Mongolian electorate in order to influence the anti-Chinese perception of the majority of Mongolians, becomes most apparent in its educational programs (Tucker 2008; Sumiyabazar 2010b; Bulag 2010).

In conclusion, despite certain observable anomalies, such as the Chinese military aid to Mongolia, my analysis seems to support the theoretical prediction according to which the sender adapts to the distribution patterns in small and large coalition systems in order to increase the responsiveness to its interests. Even if one avoids

numerical comparison due to the lack of comprehensive and transparent data, there are some outstanding observations suggesting that the Chinese government indeed adapted its targeted group according to the coalition size: For example, 2,000 additional governmental scholarships for Mongolian students stand against a student exchange program of only 50 Burmese students. The difference in numbers is striking, even more so if one considers that Burma's population is more than ten times that of Mongolia. Moreover, comparing the military assistance the Chinese government provided to the three countries, the US\$1 million grant that Mongolia received in military aid is dwarfed by the amounts paid to Cambodia's or Burma's armed forces. These reached US\$5 million annually, or more than US\$1.2 billion of military equipment respectively.

What can be drawn from these comparative insights on how the rise of China affects the stability of political regimes elsewhere? The empirical evidence of my case studies supports the theoretical argument. On the one hand, it illustrated that leaders in small winning coalitions are able to monopolize gains achieved by cooperation with an external player. It showed how these gains can in turn be redistributed amongst their supporters and so strengthen their power position. In the very inclusive regimes in Burma and Cambodia cooperation with the government translated directly and indirectly into support for the respective leaders in power. At times, Chinese actors also directly targeted the members of the winning coalition.

It is difficult to assess in how far the Chinese practices are detrimental to democratic structures in larger winning coalitions. Corruption clearly diminishes the quality of democratic institutions and can even pose a serious challenge to the system as such. In the case of Mongolia studied here, corruption of political actors posed a threat to the consolidation of democratic rules. But even though Chinese actors are widely believed to use corruption and bribery, most Mongolians do not perceive China as the root of this problem.

On the other hand, the strong support for hypothesis H1 that the Chinese government is better able to pursue its interests in autocratic countries than in democracies suggests that the theoretical argumentation is correct in its core. The mechanism of external autocratic exploitation works quite well. With respect to the finding that China delivers more economic cooperation to autocracies than

to democracies which led to the rejection of H4 in chapter 4, the case studies suggest that this finding was at least partly caused by measurement problems. It suggests that the economic cooperation variable did not properly capture what it was supposed to measure: the transfer of resources.

11. Conclusion

In recent times, a debate has emerged whether the *PRC* as a newly emerging autocratic power contributes to the durability of autocratic regimes. Even though this question appeared in two research communities more or less simultaneously, it has so far not been studied systematically. Halfway the first decade of the current millennium, researchers in the field of democracy studies became increasingly concerned with the stagnation of democratization around the world. Subsequently, their research focus shifted towards a better understanding of the nature of hybrid and autocratic regimes. However, this research focused predominantly on domestic factors such as autocratic institutions. External factors have generally been studied less extensively. The existing approaches, for example by proponents of diffusion theory (Levitsky and Way 2005; Gleditsch and Ward 2006; Brinks and Coppedge 2006) or the discussion on external revenue (Ross 2001; Knack 2004; Ulfelder 2007; Morrison 2009) so far strongly focus on the impact of Western influences. The question whether non-democratic powers such as China and Russia are becoming a force of autocracy promotion also has been raised only recently (Carothers 2006; Ambrosio 2009; Burnell 2010).

Observing China's increasing engagement in the developing world over the last decade, experts in the field of area studies - the other research community - began to wonder about China's external interests and strategies. A heated debate about the 'Beijing Consensus' and China's new 'soft power' evolved (Cooper Ramo 2004; Kurlantzick 2007; Brautigam 2009; Halper 2010). This debate has been intense but - partly due to the general lack of data - it is characterized by a relatively unstructured approach towards the topic. Only a few comparative, let alone quantitative, approaches exist to address the question what guides China's actions.

At the interface of two only loosely connected scientific debates, this study contributes to the existing body of research in several ways: i) It delivers a theoretical

framework explaining why one should expect autocratic major powers to become a factor in autocratic durability elsewhere, ii) it quantitatively examines and explores the determinants of China's foreign behavior against the background of the theoretical framework, iii) it quantitatively assesses the impact of China's rise on the longevity of autocracy in other states, and iv) it takes a comparative look at the implementation of China's foreign policy objectives in Asia, thereby testing the validity of the overall argument as well as scrutinizing the patterns of interaction between Chinese leaders and elites elsewhere.

This study empirically investigates China's external behavior based on a theoretical framework. According to this theoretical framework autocratic regimes are beneficial to the Chinese government because autocratic leaders are easier to influence from the outside. Therefore, it is easier for the Chinese government to pursue its interest in autocratic countries. I argued that this theoretical consideration should make the Chinese government prefer others to be autocratic too and in turn it should lead the Chinese government to increased cooperation with autocratic regimes. Cooperation with an external partner, however, is helpful to an autocratic government to stay in power, especially if the external actor cooperates exclusively with the autocrat and not with competing societal groups. The autocrat can then capitalize from the benefits of cooperation and redistribute the created resources among his supporters.

What does the empirical investigation of the argument tell us about the validity of this theoretical reasoning? In the qualitative part of my study, the comparison of three case studies delivered strong support for the core assumption of the theoretical framework that different political regime types determine the degree to which a regime can be exploited from outside. That is, my comparative case studies show that the Chinese government has been more successful in realizing its foreign policy interests in small coalition regimes. In both autocratic regimes that were examined in this study, Burma and Cambodia, the Chinese government was more successful in pursuing its interests while it faced significant difficulties in the case study of the more democratic Mongolia.

Even though this finding does neither say anything about the Chinese intentions nor does it prove that the Chinese government has a preference for autocratic regimes, it clearly indicates that it makes sense for the Chinese government to

have a preference for autocratic small coalition regimes. This finding delivers a formidable reason for the Chinese government to prefer other governments to be autocratic as well. As long as actors are presumed to act rationally, it is reasonable to assume that the Chinese government indeed has a preference for autocratic regimes. This preference may be purely functional in nature rather than normatively guided.

This raises the question whether this theoretical preference for autocratic regimes translates into specific cooperation with them. In order to answer this question, I undertook a quantitative investigation into the drivers of Chinese economic cooperation, a blend of private and state assistance and foreign direct investments from China. It seems that the Chinese government is indeed more inclined to direct meaningful amounts of economic cooperation to autocratic countries. Also, I found that during the last few years, autocratic governments received higher amounts of economic cooperation from China on average. Both findings suggest that a Chinese preference for autocratic regimes could indeed exist.

Moreover, the quantitative investigation revealed that Chinese economic cooperation is strongly determined by the recipient's compliance with the 'one China' policy and that it is need oriented. The latter means that it is targeted towards poor countries. While resource wealth has partly been a driver - oil rich countries have received higher amounts of Chinese economic cooperation in recent years - other determinants for the selection of cooperation partners and for the amount of economic cooperation remain less clear. In general, the results of the quantitative investigation point to the difficulties inherent to analysing China's external engagement on the basis of ambiguous and uncertain data.

Even though these evident limitations of data availability cannot completely be overcome in the qualitative case studies, the in-depth investigation there allowed for a better understanding of the more detailed pattern of cooperation and the way how this cooperation contributes to autocratic survival.

China's usual official rhetoric is one of neutrality with respect to other countries' domestic affairs. The case studies I have investigated suggest that from a formal point of view, the Chinese government usually acts in accordance to that rhetoric on non-interference. The Chinese government usually pragmatically acknowledges *de facto* power rather than questioning the legitimacy of a leader. When doing

so, Chinese foreign policy-makers and diplomats often stressed that the *PRC* was simply continuing its state-to-state relations with the government of a different country.

However, the case studies also show that cooperation with an external player such as China affects the domestic balance of power within a country. An external power that cooperates only selectively *de facto* contributes to the stabilization of power of the person or coalition that it supports. This is exactly what the Chinese government does: it supports the incumbent government. As a result, the case studies illustrate how - in contradiction to China's rhetoric - this policy of neutrality *de facto* takes side for a specific party and translates into support for the incumbent leadership in autocratic countries. Chinese engagement, aid, and material support are responsive to the specific needs of a given leader in power and his respective winning coalition. Also, small winning coalitions with their narrowly defined interests that are relatively easy satisfied from the outside, are observably and systematically exploited. Chinese diplomats often refer to the win-win nature of China's external relations. And indeed, both sides gain something, but depending on the inclusiveness of a political regime, the circle of winners can be very small. The smaller the coalition, the easier it is to create win-win situations.

Hence, the pattern of cooperation is that China targets the incumbent leader or his winning coalition, thereby applying the rhetoric of non-interference in domestic affairs. The actual result of such 'non-interference policy' is that the power position of the incumbent autocratic government is enhanced. This finding from the case studies seems to support those critics in the broader debate who have argued that the Chinese government has become a *de facto* patron for autocratic regimes (Halper 2010), despite its official rhetoric that pays tribute to a policy of sovereignty and non-interference.

The last question to be answered is: Is China a cause of autocratic longevity? This study suggests so. First of all, the logic conclusion from the comparative case studies is that China's cooperation *de facto* shores up the power position of the incumbent autocratic regime. This is likely to contribute to autocratic survival.

The statistical analysis also indicates that China indeed has an impact on the survival of autocratic leaders, especially if they are strongly exposed to and dependent on trade with China. As my statistical analysis shows, strong dependence

on trade with China in relation to a country's overall trade improves the life expectancy of autocratic leaders.

However, the causal link between trade dependency and autocratic longevity is not entirely clear. First, it has been argued that China's trade, more than that of other nations, is politically controlled (Halper 2010; Fuchs and Klann 2011). Second, if trade with China is related to increased exports of natural resources the discovered relation between trade and autocratic longevity could also be created indirectly through rentier effects. Rentier effects are the easy money earned by the exploitation of natural resources. Thirdly, there is the possibility that China's exports are specifically helpful to prolong autocratic survival, because cheap Chinese consumer goods probably have a stabilizing effect by making consumption more affordable to the poor and thereby bringing about more social peace. It becomes clear that the detected correlation between bilateral trade volumes and autocratic survival calls for more research that takes a closer look at the structure of Chinese trade.

Nonetheless, the effect that I found in the data in terms of autocratic stabilization is relatively small, particularly if one considers that bilateral trade of many countries with China is still relatively low compared to overall trade volumes. Moreover, I did not observe that other forms of cooperation such as Chinese economic cooperation or encounters with China's highest leadership level prolong autocratic survival. This finding is most surprising, because the existing literature has identified non-tax revenues to be a major contributor to regime survival (Morrison 2009). Moreover, it was the Chinese diplomatic protection for pariahs such as North Korea, Burma, Sudan, and Zimbabwe that frequently received attention in the past.

The finding that Chinese economic cooperation does not have an impact on autocratic survival might reflect both that the Chinese effect might indeed be different from that of other powers and that substantial noise in the data might cloud the results. For example, Chinese resource transfers are usually in kind and rarely involve cash transfers. They are thus strongly tied. Even though they are usually targeted at the needs of the recipient's government and their interest groups, this might imply that the direct redistribution of these resources might be constraint. This in turn could decrease their overall usefulness as an

instrument to remain in power. On the other hand, the closer investigation of Chinese economic cooperation also revealed some inconsistencies in the data. Both aspects call for more research that improves the understanding and measurement of China's external behavior.

What else can we learn from this theoretically guided study about autocratic survival? In general, the fact that exposure to China is of importance for autocratic survival first and foremost suggests that Levitsky and Way's linkage and leverage approach works in both ways (Levitsky and Way 2010). That is, exposure to autocratic - as opposed to democratic - powers has an impact too.

In addition, my survival analysis does not discern evidence for the rentier effect on the survival of leaders that previous studies have found. This is however less worrisome if one considers that previous studies in this field are based on a different operationalization of regime stability. Both Morrison (2009) and Smith (2004) used a structural measure indicator based on the polity index (see chapter 5.1) to measure regime stability. Others used the type of political regime or the likelihood to transition to democracy rather than survival as the dependent variable (Ross 2001; Ulfelder 2007).

Furthermore, I explored Svobik's (2010) innovative data set on the survival of ruling coalitions as an alternative measure for autocratic stability. This is a novel approach and an important effort to look beyond the survival of individual leaders and to investigate the survival of ruling coalitions or regimes. It is certainly helpful to improve and further develop the scientific understanding of what enables autocratic leaders to remain in power. The fact that the coalition-based analysis did not reveal many additional insights in comparison to the leader-based results in my analysis points towards the need to rethink the model and to adjust it to the new concept of ruling coalitions. It indicates that the determinants explaining the survival of individuals do not necessarily also explain the durability of ruling coalitions. As far as patterns in the behavior and performance of autocratic regimes might be more determined by the nature of a ruling coalition than the character of an individual leader, the ruling coalition-based approach opens the floor for a new research agenda.

While my research sheds some light on the impact of China's rise on the longevity of autocracies, it leaves open a number of questions: Has China's emergence made

the world more autocratic? Does the new Chinese engagement affect the quality of democratic structures in democracies or hybrid regimes and, if so how? In how far does China's experience of centralized development truly spread as a role model for other non-democratic countries or countries at a cross-road in their political development? Most importantly with respect to the existing debate in literature, this study also does not go into the question of what the Chinese government actually intends to do. However, one can cautiously draw a few conclusions with regard to such questions.

In the past, Chinese cooperation has not necessarily created the highly exclusive political structures that facilitate economic exploitation of developing countries. In some cases, though, it may have contributed to the development of unequal economic distribution or has favored the rise of particular elites, as has been argued in the case of Cambodia (Mengin 2007). With the increasing amount of foreign investments allocated to other autocracies over the last decade, incentives for Chinese foreign policy-makers to maintain prevalent autocratic political structures under the guise of 'political stability' have reached a new dimension. These incentives are likely to lead to an even stronger Chinese preference for autocracies in the future.

More specifically, China's *SOEs* have spent billions of dollars in countries such as Burma or Sudan, especially in the energy sector where they have developed exploration sites of mineral oil or gas reserves and constructed new pipelines. Given these considerable sunk-costs in long-term investments, one should doubt whether the Chinese government will be able to maintain its neutral policy of non-interference in the future. It is true that the Chinese willingness to openly get engaged and exert pressure on actors in autocracies so far has been remarkably reluctant in times of political turmoil. In the case of Sudan, for example, the Chinese government was only inclined to take action and make the Sudanese government agree to an international peace-keeping mission as a response to human rights violations when it was considerably pressured by threats of boycotts of the 2008 Olympic Games in Beijing. It was also reluctant to openly take actions with respect to the later Sudanese referendum on South Sudan's secession or in the process of Burma's 2010 elections (Rafferty 2010).

However, there are powerful interest groups behind China's *SOEs* who will

most unlikely take on a wait-and-see attitude when political change might seriously threaten the economical viability of their investments in these countries. Moreover, Chinese state corporations have ministerial rank and therefore they can voice their interests in the Chinese government. They might push more actively for their interests which might imply a more interventionist Chinese foreign policy in the future. The case of Burma where negotiations with the opposition took place behind the scenes exemplifies indeed that Chinese foreign-policy strategists already stretch the principle of non-interference nowadays (Kleine-Ahlbrandt and Small 2008).

However, unless there are major changes in China's political system itself, it is probably too optimistic to assume that this emerging flexible non-interference leaves much room to allow or even encourage the establishment of truly liberal and inclusive democratic forms of government in countries of China's key interests. In contrast, there is much reason to believe that these path-dependencies will lead Chinese agents to arrange stabilization of prevailing small coalition regimes by pushing for cosmetic reforms.

In the medium to long run, this Chinese preference might further contribute to the spread of hybrid regimes whether classified as 'electoral' (Schedler 2006) or 'competitive' autocracies (Levitsky and Way 2002) or 'illiberal' democracies (Zakaria 1997). While the Chinese leadership is not pleased to see closed autocracies such as North-Korea or Burma to transform to full-fledged democracies, it is not particularly satisfied with the prevalence of these awkward dictatorships in their current form either. As the cases of Burma and Cambodia indicate, the Chinese government gains most from regimes where the leaders succeeded in maintaining control over the political process and economic resources, but in which reforms have been adopted that make the political arena seemingly more competitive and pluralistic. These regimes are most resilient to Chinese interests while they are more in line with Western expectations of plurality and political freedoms.

For quite some time, the Chinese government has been deeply frustrated with the performance of the Burmese regime which frequently provoked international critique and thereby embarrassed the Chinese leaders who were widely perceived as Burma's autocratic patron (Kleine-Ahlbrandt and Small 2008). Furthermore, it was not helpful for the development of close relations and for the pursuit of China's

interests that the Burmese central government, obsessed by its own security, was also suspicious of China's intentions (Storey 2007a). Finally, the junta's lack of legitimacy amongst its own population and the latent risk for popular upheaval continue to jeopardise Chinese investments in the country.

In contrast to this worrisome relationship with the Burmese regime, in its liaison with the Cambodian regime, the Chinese government achieved all its objectives without such irritation. The case study revealed that Cambodia's government shows even more willingness to embrace the Chinese interests, while the costs of having close ties to the Cambodian government for China's international reputation are low. Even though the Cambodian government was criticized from time to time for its low compliance with Western conditionality this critique did not implicitly or explicitly fall back on the Chinese government as it did in the case of Burma. In brief, Cambodia's electoral window dressing and its integration into the international community make it a much more comfortable and beneficial partner to maintain autocratic cooperation with.

As a consequence, the Chinese government has encouraged economic and political reforms in Burma and North Korea. Based on its own experience, the Chinese leadership perceives economic development and well-being to be a cornerstone of political and hence autocratic stability. On the other hand, in Burma, the Chinese call to work on national reconciliation and political reforms aims at establishing a political regime which is more inclusive and co-opts the currently excluded opposition forces into a strong centralized government (International Crisis Group 2009). To achieve this and to increase the legitimacy of such a government among the population, political structures are needed that appear more open, but ensure the dominance of ruling coalition. This most likely will involve a transformation of these closed autocracies into a form of competitive autocracy. In such competitive autocracies, democratic institutions exist and are considered to be a means of gaining power, but incumbents dominate the political process and by abusing the state they gain advantage vis-à-vis their opponents (Levitsky and Way 2010).

Against this background, future research on China's impact on autocratic durability should take a closer look on the influence of China's foreign engagement not only on actors and their distributional coalitions in these countries, but also on the institutional pillars of comparative authoritarianism. In how far, for example, does

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China's engagement contribute to the establishment of those institutions that are particularly important for the dominance of the incumbent over others? In this respect, it would be worthwhile to investigate whether the Chinese government shares its techniques or even assists others in matters such as the establishment of dominant state-controlled media, the control of communication technology such as the internet or the management of civil society organizations and domestic unrest.

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Appendices

A. Variable sources and operationalization

Table A.1.: Operationalization of variables

Variable	Operationalization and data source
<i>Leaderfall</i>	Binary variable of leadership turnover which is coded ‘1’ if a leader exits power in the following year and ‘0’ otherwise. Source: ‘Power and Insitutions in Authoritarian Regimes’ (Svolik 2010)
<i>Coalitionfall</i>	Binary variable of coalitionfall which is coded ‘1’ whenever a leader coming to power is unrelated to the government, a government party, the royal or ruling family, or a military junta under the previous authoritarian leader. Source: ‘Power and Insitutions in Authoritarian Regimes’ (Svolik 2010)
<i>Diplomatic relations with Taiwan</i>	Binary variable which is coded ‘1’ for every year in which a country’s government diplomatically recognizes Taiwan. Source: Basic information was taken from Wikipedia, Yahuda (1996), and a number of country specific sources, and then verified with the Taiwanese Ministry of Foreign Affairs.
<i>Absolute trade with China</i>	A country’s trade (exports and imports) with China in constant million \$US. ¹ Source: Direction of Trade (International Monetary Fund 2010)

Continued on next page

¹Note: Current values have been transformed to constant \$US values (base year 2005) with the consumer price index taken from the World Development Indicators (World Bank 2010).

Table A.1 – continued from previous page

Variable	Operationalization and data source
<i>Trade (% of total trade)</i>	A country's trade (exports and imports) with China in % of a country's total trade. ² Trade shares were calculated as: (bilateral trade/total trade)*100. Source: Direction of Trade (International Monetary Fund 2010)
<i>Economic cooperation</i>	Economic cooperation in million U.S.\$ (1998-2008). ³ Current values have been transformed to constant U.S.\$ values (base year 2005) with the consumer price index taken from the World Development Indicators (World Bank 2010). Source: National Bureau of Statistics of China (2010).
<i>Diplomacy</i>	Number of encounters with Chinese president or prime minister per year. Data set is based on the documentation of <i>PRC</i> agreements with foreign countries. Source: Journal of Current Chinese Affairs-China Data Supplement, 1994-2008 (Liu 1994-2008)
<i>Age of leader/coalition</i>	Length of a leader's tenure since last failure or length of coalition durability. The value of '1' is given for the year subsequent to a fall. Source: 'Power and Insitutions in Authoritarian Regimes' (Svolik 2010)
<i>GDP/c</i>	GDP per capita (ln) in constant international \$ (base year 2005). The TED data set was used for Myanmar and the World Development Indicators for Turkmenistan. Source: Penn World Tables 7.0 (Heston et al. 2011), TED (The Conference Board 2011), World Development Indicators (World Bank 2010)
<i>Distance</i>	Distance of a country's capital to Beijing in kilometres (ln). Source: Capital distance data (Gleditsch 2008)
<i>Oil revenue (% of GDP)</i>	Measure of oil rents as a percentage of GDP. ⁴ Source: Ross (2008)

Continued on next page

²Note: Current values have been transformed to constant \$US values (base year 2005) with the consumer price index taken from the World Development Indicators (World Bank 2010).

³Note: Because this database contains only those countries which received transfers, missings were recoded as zero.

⁴Ross' *oil rents* variable was transformed according to the following formula: (oil rents/GDP)*100

Table A.1 – continued from previous page

Variable	Operationalization and data source
<i>Proved crude oil reserves</i>	Proved crude oil reserves in billion barrels (ln). Source: U.S. Energy Information Administration (2010)
<i>Mineral wealth dummy</i>	Index of the production of five strategic minerals: iron ore, chromium, cobalt, copper and manganese. Constructed from dummy variables for each mineral, coded ‘1’ if a country was involved in the production of the respective mineral, and coded ‘0’ otherwise. The index adds up how many of the five minerals a country possesses. The index is normalized to range from 0 to 1 by the division through five. Source: U.S. Geology Survey (2008)
<i>Autocracy dummy</i>	Binary variable coded ‘0’ for democracies and ‘1’ otherwise. Based on Cheibub’s democracy dummy to identify whether a country is autocratic or not. Source: Cheibub et al. (2010)
<i>Size of winning coalition W</i>	The size of the winning coalition W is a composite index based on four equally weighed variables REGTYPE (Banks 2007), XRCOMP, XROPEN and PARCOMP from the Polity IV data (Marshall and Jaggers 2008). More specifically, one point is added to the index ‘for each of the following conditions: if Banks’ regime type variable is nonmilitary, if XRCOMP is greater than or equal to 2 (meaning the chief executive is not chosen by heredity or in rigged, unopposed elections), if XROPEN is greater than 2, and if PARCOMP equals 5 (indicating the presence of a competitive party system)’ (Mesquita and Smith 2010, 940) The variable is standardized to range from 0 to 1 where higher values indicate a larger winning coalition. Source: Replication data (Mesquita and Smith 2010)
<i>Size of selectorate S</i>	The size of the selectorate S is coded ‘0’ if no legislature exists according to Bank’s LEGSELEC variable, ‘1’ if selection is nonelective, such as by heredity or ascription, and 2 if the legislature is elected. This variable is standardized to range from 0 to 1 by dividing it by two (Mesquita and Smith 2010, 940). Source: Replication data (Mesquita and Smith 2010)

Continued on next page

Table A.1 – continued from previous page

Variable	Operationalization and data source
<i>OECD ODA (% of GDP)</i>	Total official development aid from all DAC donors as % of GDP. ⁵ ODA was set in relation to GDP according to the following formula: $(ODA/GDP)*100$. Source: OECD DAC database (Organisation for Economic Co-operation and Development 2010)
<i>Population</i>	Number of residents (ln). Source: The Penn World Table (Heston et al. 2011)
<i>Military transfers</i>	SIPRI Trend Indicator Values (TIVs) in \$US million at constant (1990) prices (ln). ⁶ Source: SIPRI Arms Transfer Database (Stockholm International Peace Research Institute 2008)
<i>Regime- / Leaderfall-region</i>	Average number of a country's neighbours experiencing leaderfall/coalitionfall in a given year. Source: 'Power and Institutions in Authoritarian Regimes' (Svolik 2010) and Correlates of War Project. Direct Contiguity Data, 1816-2006. Version 3.1 (Correlates of War Project 2007)
<i>UN voting behaviour</i>	Conformity of a country's voting behaviour with Chinese votes in the <i>UN</i> General Assembly in percent - including abstentions and absentees. ⁷ Conformity is expressed in percentages of annual voting situations. Source: Voeten and Merdzanovic (2009)
<i>Population density</i>	Population density (ln). Source: World Bank (2010)
<i>Urban growth</i>	Annual growth rate of population living in urban areas. Source: World Bank (2010)

Continued on next page

⁵Because this database contains only those countries which receive development assistance, missing values for all other countries were replaced by zero.

⁶Note: Because this database contains only those countries which received military transfers, missings were recoded as zero.

⁷Voting situations in which a country or China was coded as 'not a member' were ignored.

Table A.1 – continued from previous page

Variable	Operationalization and data source
<i>Military dictatorship</i>	Dummy measure for regime type. Source: Cheibub et al. (2010)
<i>No of previous failures</i>	Number of previous failures under autocratic rule.

B. Cooperation regression

B.1. Sample

Table B.1.: Non-OECD countries in the sample, 1998-2008

Country	Years
Afghanistan	1998-2000
Albania	1998-2008
Algeria	1998-2008
Andorra	1998-2008
Angola	1998-2008
Antigua and Barbuda	1998-2008
Argentina	1998-2008
Armenia	1998-2008
Azerbaijan	1998-2008
Bahamas	1998-2008
Bahrain	1998-2008
Bangladesh	1998-2008
Barbados	1998-2008
Belarus	1998-2008
Belize	1998-2008
Benin	1998-2008
Bhutan	1998-2008
Bolivia	1998-2008
Botswana	1998-2008
Brazil	1998-2008
Brunei Darussalam	1998-2008
Bulgaria	1998-2008
Burkina Faso	1998-2008
Burundi	1998-2008
Cambodia	1998-2008
Cameroon	1998-2008
Cape Verde	1998-2008

Continued on next page

Table B.1 – continued from previous page

Country	Years
Central African Republic	1998-2008
Chad	1998-2008
Chile	1998-2008
Colombia	1998-2008
Comoros	1998-2008
Congo	1998-2008
Costa Rica	1998-2008
Croatia	1998-2008
Cuba	1998-2008
Cyprus	1998-2008
Côte d'Ivoire	1998-2001, 2007-2008
Democratic People's Republic of Korea	1998-2008
Democratic Republic of the Congo	2002-2008
Djibouti	1998-2008
Dominica	1998-2008
Dominican Republic	1998-2008
Ecuador	1998-2008
Egypt	1998-2008
El Salvador	1998-2008
Equatorial Guinea	1998-2008
Eritrea	1998-2008
Estonia	1998-2008
Ethiopia	1998-2008
Fiji	1998-2008
Gabon	1998-2008
Gambia	1998-2008
Georgia	1998-2008
Ghana 1.	1998-2008
Grenada	1998-2008
Guatemala	1998-2008
Guinea	1998-2008
Guinea-Bissau	1998-2008
Guyana	1998-2008
Haiti	1998-2008
Honduras	1998-2008
India	1998-2008
Indonesia	1998-2008
Iran, Islamic Republic of	1998-2008

Continued on next page

Table B.1 – continued from previous page

Country	Years
Iraq	1998-2002
Israel	1998-2008
Jamaica	1998-2008
Jordan	1998-2008
Kazakhstan	1998-2008
Kenya	1998-2008
Kuwait	1998-2008
Kyrgyzstan	1998-2008
Lao People's Democratic Republic	1998-2008
Latvia	1998-2008
Lebanon	2005-2008
Lesotho	1999-2008
Liberia	1998-2008
Libyan Arab Jamahiriya	1998-2008
Liechtenstein	1998-2008
Lithuania	1998-2008
Madagascar	1998-2008
Malawi	1998-2008
Malaysia	1998-2008
Maldives	1998-2008
Mali	1998-2008
Malta	1998-2008
Marshall Islands	1998-2008
Mauritania	1998-2008
Mauritius	1998-2008
Micronesia, Federated States of	1998-2008
Moldova	1998-2008
Mongolia	1998-2008
Montenegro	2006-2008
Morocco	1998-2008
Mozambique	1998-2008
Myanmar	1998-2008
Namibia	1998-2008
Nepal	1998-2008
Nicaragua	1998-2008
Niger	1998-2008
Nigeria	1998-2008
Oman	1998-2008

Continued on next page

Table B.1 – continued from previous page

Country	Years
Pakistan	1998-2008
Palau	1998-2008
Panama	1998-2008
Papua New Guinea	1998-2008
Paraguay	1998-2008
Peru	1998-2008
Philippines	1998-2008
Qatar	1998-2008
Romania	1998-2008
Russian Federation	1998-2008
Rwanda	1998-2008
Saint Kitts and Nevis	1998-2008
Saint Lucia	1998-2008
Saint Vincent and the Grenadines	1998-2008
Samoa	1998-2008
San Marino	1998-2008
Sao Tome and Principe	1998-2008
Saudi Arabia	1998-2008
Senegal	1998-2008
Serbia and Montenegro	1998-2005
Seychelles	1998-2008
Sierra Leone	2001-2008
Singapore	1998-2008
Slovenia	1998-2008
Solomon Islands 1998-1999, 2004-2008	
South Africa	1998-2008
Sri Lanka	1998-2008
Sudan	1998-2008
Suriname	1998-2008
Swaziland	1998-2008
Syrian Arab Republic	1998-2008
Tajikistan	1998-2008
Thailand	1998-2008
The former Yugoslav Republic of Macedonia	1998-2008
Timor-Leste	2002-2008
Togo	1998-2008
Trinidad and Tobago	1998-2008
Tunisia	1998-2008

Continued on next page

Table B.1 – continued from previous page

Country	Years
Turkmenistan	1998-2008
Uganda	1998-2008
Ukraine	1998-2008
United Arab Emirates	1998-2008
United Republic of Tanzania	1998-2008
Uruguay	1998-2008
Uzbekistan	1998-2008
Vanuatu	1998-2008
Venezuela (Bolivarian Republic of)	1998-2008
Viet Nam	1998-2008
Yemen	1998-2008
Zambia	1998-2008
Zimbabwe	1998-2008

B.2. Correlation matrix

Table B.2.: Cross-correlation table

Variables	Absolute trade	Autocracy dummy	Proven oil reserves	Mineral wealth	Taiwan	UN voting	Population	GDP/c	Military transfers	Economic cooperation	Distance
Absolute trade with China (ln)	1.00										
Autocracy dummy	0.11	1.00									
Proven oil reserves in billion barrels (ln)	0.47	0.19	1.00								
Mineral wealth index	0.36	0.07	0.37	1.00							
Dummy for diplomatic relations with Taiwan	-0.29	-0.23	-0.34	-0.21	1.00						
UN voting with China in %	0.27	0.18	0.19	0.16	-0.21	1.00					
Population (ln)	0.53	0.17	0.48	0.47	-0.27	0.31	1.00				
GDP/c (ln)	0.20	-0.16	0.31	0.04	-0.06	0.06	-0.34	1.00			
Military transfers from China (ln)	0.18	0.12	0.15	0.14	-0.11	0.21	0.26	-0.06	1.00		
Economic cooperation (ln)	0.38	0.22	0.31	0.26	-0.32	0.26	0.35	-0.04	0.20	1.00	
Distance in km (ln)	-0.27	-0.22	-0.20	-0.08	0.29	-0.05	-0.18	-0.02	-0.16	-0.05	1.00

B.3. Economic cooperation regressions

Estimation results when missing values in the dependent variable economic cooperation were replaced by imputation, but recoded zero.

Figure B.1.: Coefficients and confidence intervals of the determinants of Chinese economic cooperation over time, 1998-2008.

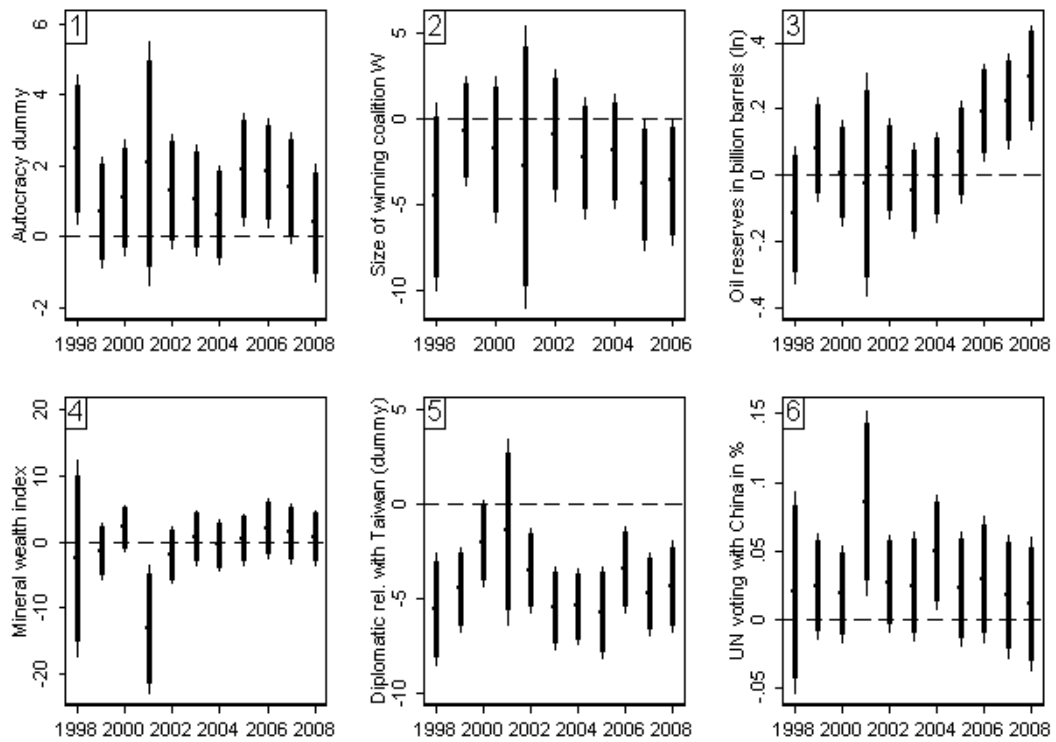
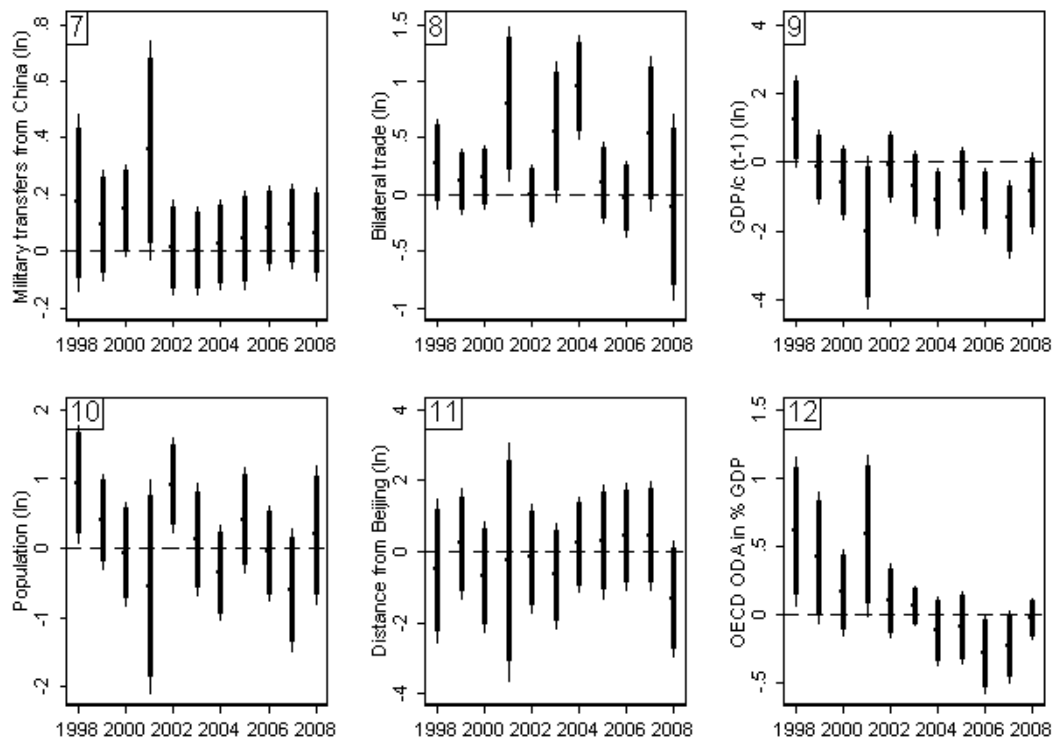


Figure B.2.: Coefficients and confidence intervals of the determinants of Chinese economic cooperation over time, 1998-2008.



B. Cooperation regression

Table B.3.: Probit regression of whether China provides economic cooperation to non-OECD countries

	(1)	(2)	(3)	(4)
	Economic cooperation Coop. > 0		Economic cooperation Coop. > 0.01% GDP	
Autocracy dummy	0.401 (0.267)	0.386 (0.289)	0.490*** (0.188)	0.445** (0.198)
Dummy for dipl. rel. with Taiwan	-1.014*** (0.248)	-1.030*** (0.252)	-1.063*** (0.274)	-1.032*** (0.287)
UN voting with China in %	0.008** (0.004)	0.008** (0.004)	0.009* (0.005)	0.008* (0.005)
Proven oil reserves in billion barrels (ln)	0.023 (0.021)	0.020 (0.021)	0.023 (0.020)	0.023 (0.020)
Mineral wealth index	-0.079 (0.452)	-0.133 (0.467)	-0.414 (0.398)	-0.463 (0.392)
Distance in km (ln)	0.390* (0.217)	0.268 (0.177)	-0.006 (0.199)	-0.108 (0.169)
Population (ln)	0.014 (0.076)	-0.034 (0.082)	-0.162** (0.079)	-0.224*** (0.086)
GDP/c t-1 (ln)	-0.217** (0.099)	-0.235* (0.123)	-0.481*** (0.119)	-0.511*** (0.140)
Military transfers (ln)				0.046*** (0.017)
Bilateral trade (ln)		0.029 (0.026)		0.047 (0.032)
ODA % of GDP		0.013 (0.052)		0.024 (0.058)
Constant	-0.591 (3.144)	1.091 (2.773)	6.562** (2.964)	9.782*** (2.696)
Observations	1497	1312	1497	1421
Year dummies	Yes	Yes	Yes	Yes

Standard errors in parentheses

* p<.1, ** p<.05, *** p<.01

Robust standard errors clustered by country

C. Survival regression

C.1. Sample

The table below lists all autocracies that are in the post-Cold War sample according to the definition in 4.1 and 5.1. I differentiate between the spells of authoritarian ruling coalitions and individual leaders and also enlist their respective durations. Open ended spells indicate the continuity in power of a ruling coalition or leader as of 2008.

Table C.1.: Autocracies in the sample, 1992-2008

Country	Spell of Coalition	Duration	Spell of Leader	Duration
Afghanistan	1996-2000	5	1996-2000	5
Algeria	1962-		1992-1999	6
			2000-	9
Angola	1993-	16	1993-	16
Azerbaijan	1991-	17	1991-1991	1
			1992-1992	1
			1993-2002	10
			2003-	6
Bahrain	1971-	38	1971-1998	28
			1999-	10
Belarus	1996-	13	1996-	13
Bhutan	1971-	38	1971-1998	27
			1999-1999	1
			2000-2000	1
			2001-2001	1
			2002-2002	1
			2003-2003	1
			2004-2004	1
			2005-2005	1
			2006-2006	1
			2007-2007	1
			2008-2008	1
Brunei	1984-	25	1984-	25
Burkina Faso	1980-	22	1980-	22
Burundi	1987-1992	6	1987-1992	6
	1996-2004	9	1996-2002	7

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Table C.1 – continued from previous page

Country	Spell of Coalition	Duration	Spell of Leader	Duration
			2003-	2
Cambodia	1991-	18	1991-1992	2
			1993-1996	4
			1997-	12
Cameroon	1960-	49	1983 -	26
Cape Verde	1975-1991	17		
Central African Republic	1979-1993	17	1982-1993	12
Chad	1984-	19	1984-	19
Comoros	1989-1994	6		
	1996-2002	4	1996-1998	3
			1999-2004	4
Congo	1969-1992	24	1980-1992	13
			1997-	12
Cuba	1960-	49	1960-2007	48
			2008-	1
Dem. Rep. of the Congo	2003-2006	4	2003-2006	4
Djibouti	1977-	32	1977-1999	23
			2000-	9
Ecuador	2000-2003	4	2000-2003	4
Egypt	1952-	57	1981 -	28
Equatorial Guinea	1968-	41	1979-	30
Eritrea	1993-	16	1993-	16
Ethiopia	1992-	17	1992-	17
Fiji	1978-	22	1978-1999	13
			2000-2005	6
			2006-	3
Gabon	1960-	49	1967-	42
Gambia	1965-1993	29	1965-1993	29
	1994-	15	1994-	15
Georgia	1992-2004	13	1992-2004	13
Ghana	1981-1993	13	1981-1993	13
Guinea	1958-	51	1984-	25
Guinea-Bissau	1974-1994	21	1980-1994	15
	1999-2000	2	1999-2000	2
	2003-2005	2	2003-2005	3
Guyana	1966-1992	27	1985-1992	8
Haiti	1991-1994	4	1991-1994	4
	1999-2000	2	1999-2000	2
	2001-2003	3	2001-2003	3
	2004-2005	2	2004-2005	2
	2006-	3	2006-	3
Indonesia	1966-1998	33	1966-1998	33
Iran	1979-	30	1989-	20
Iraq	1968-2002	35	1979-2002	24
Ivory Coast	1960-1998	34	1993-1998	6
	1999-2000	2	1999-2000	2

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Table C.1 – continued from previous page

Country	Spell of Coalition	Duration	Spell of Leader	Duration
	2007-	2	2007-	2
Jordan	1953-	56	1953-1998	46
			1999-	10
Kazakhstan	1991-	18	1991-	18
Kenya	1963-2002	40	1978-2002	25
Kuwait	1991-	18	1991-2005	15
			2006-	3
Kyrgyzstan	1991-2005	15	1991-2005	15
Laos	1975-	34	1991-2005	14
			2006-	3
Lebanon	2005-	4	2005-2007	3
			2008-	1
Lesotho	1986-1993	8	1991-1993	3
Liberia	1996-2002	6	1996-1996	1
			1997-2002	6
	2003-2006	4	2003-2006	4
Libya	1969-	40	1969-	40
Madagascar	1960-1993	34	1975-1993	17
Malawi	1964-1994	31	1964-1994	31
Malaysia	1957-	52	1969-2002	22
			2003-	6
Maldives	1965-	44	1978-	31
Mauritania	1960-2004	45	1984-2004	21
	2005-	4	2005-2005	1
			2006-2007	1
			2008-	1
Mexico	1946-2000	55	-1993	6
			1994-2000	7
Moldova	1991-1996	7		
Morocco	1956-	53	1962-1998	37
			1999-	10
Mozambique	1975-	34	1986-2004	19
			2005-	4
Myanmar	1988 -	21	1988-1991	4
			1992-	17
Niger	1974-1993	20		
	1996-1998	3		
	1999-1999	1		
Nigeria	1983-1998	16		
North Korea	1948-	61	1948-1993	46
			1994-	15
Oman	1970-	39	1970-	39
Pakistan	1999-	10	1999-	10
Paraguay	1946-	63	1989-1992	4
			1993-1998	6
			1999-2002	4

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Table C.1 – continued from previous page

Country	Spell of Coalition	Duration	Spell of Leader	Duration
			2003-	6
Peru	1992-2000	9	1992-2000	9
Qatar	1972-	37	1972-1994	23
			1995-	14
Russia	2004-	5	2004-2007	4
			2008-	1
Rwanda	1962-1994	33	1973-1994	22
	1995-	14	1995-1999	5
			2000-	9
Samoa	1986-	23	1989-1998	10
			1999-	10
Saudi Arabia	1946-	63	1982-1992	11
			1993-	16
Senegal	1981-2000	20	1981-2000	20
Seychelles	1977-	33	1977-2003	27
			2004-	5
Sierra Leone	1992-1996	5	1992-1996	5
Singapore	1965-	44	1990-2003	14
			2004-	5
South Africa	1948-1993	46	1989-1993	5
Sudan	1989-	20	1989-	20
Swaziland	1968-	41	1986-	23
Syria	1961-	48	1970-1999	30
			2000-	8
Tajikistan	1992-	17	1992-	17
Tanzania	1961-	48	1985-1994	10
			1995-2004	10
			2005-	4
Thailand	1991-1992	2	1991-1992	2
	2006-2007	2	2006-2007	2
Togo	1963-	46	1967-2004	38
			2005-	4
Tonga	1999-	10	1999-2005	7
			2006-	3
Tunisia	1957-	53	1987-	19
Turkmenistan	1992-	17	1992-2005	14
			2006-	3
Uganda	1986-2006	21	1986-2006	21
United Arab Emirates	1971-	38	1971-2003	33
			2004-	5
Uzbekistan	1991-	18	1991-	18
Vietnam	1954-	55	-1996	6
			1997-2000	4
			2001-	8
Yemen	1990-	19	1990-	19
Zimbabwe	1980-	29	1980-	29

C.2. Correlation matrix

Table C.2.: Cross-correlation table

Variables	Coalitionfall	Age of coalition	Leader fall	Age of leader	Chinese econ. cooperation	Trade with China	No of diplomatic meetings	GDP /c (t-1)	GDP growth (t-1)	Population	OECD ODA	Population density	Military dictatorship	Oil revenue	Urban growth
Coalitionfall	1.00														
Age of coalition (years)	-0.08	1.00													
Leader fall	0.47	-0.03	1.00												
Age of leader (years)	-0.03	0.40	-0.03	1.00											
Chinese economic cooperation (% GDP)	0.01	-0.13	-0.02	-0.00	1.00										
Trade with China (% of total trade)	-0.05	0.03	-0.08	0.09	0.22	1.00									
No of dipl. meetings	-0.03	0.00	-0.05	-0.07	-0.04	0.07	1.00								
GDP/c t-1 (ln)	-0.12	0.31	-0.08	0.21	-0.25	-0.02	0.04	1.00							
GDP growth (t-1)	-0.03	0.02	-0.03	-0.00	-0.09	0.14	0.06	0.08	1.00						
Population (ln)	0.01	0.07	-0.03	-0.09	-0.13	0.16	0.18	-0.31	-0.02	1.00					
OECD ODA (% GDP)	0.19	-0.15	0.11	-0.07	0.37	-0.10	-0.08	-0.49	-0.09	-0.08	1.00				
Population density (ln)	0.06	0.03	0.01	-0.11	-0.12	-0.12	-0.01	0.10	0.01	-0.09	-0.07	1.00			
Military dictatorship	-0.01	0.01	-0.07	0.06	0.06	0.21	-0.01	-0.23	0.05	0.17	0.00	-0.08	1.00		
Oil revenue (% GDP)	-0.04	-0.07	-0.03	0.02	0.05	0.04	0.03	0.11	0.10	-0.09	-0.14	-0.22	-0.09	1.00	
Urban growth	0.01	-0.02	0.05	-0.03	0.01	0.03	-0.12	-0.24	0.08	0.04	0.23	0.00	0.22	-0.07	1.00