

## Review - The New Continentalism

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KENDRICK KUO, MAR 6 2014

The New Continentalism: Energy and Twenty-First Century Eurasian Geopolitics

By: Kent E. Calder

New Haven: Yale University Press, 2012

Kent Calder's *The New Continentalism* is a fresh take on Eurasian integration,[1] widening the scope of inquiry into the realms of comparative politics and international political economy. At the center of the new continentalism is the emergent symbiotic relationship between energy producers (Middle East, Central Asia, Russia) and energy consumers (South Asia, East Asia).

### Critical Junctures Framework

Calder uses the concept of "critical junctures" to explain how the 1970s witnessed the removal of external constraints to this Eurasian network of energy suppliers and energy producers. Critical junctures refer to historical turning points (crises) that are married to individual decision-makers willing to change the game. According to Calder, "[c]rises reduce contradictions between state structures and the domestic environment within which those structures exist, by provoking structural change responsive to that environment" (p.51). The tensions arising from restructuring create new crises; crises create demand; the responding collective action creates the institutional supply; and intense time pressure limits this supply. Leaders of large countries undergoing crises must make accelerated decisions that alter the status quo. Calder's use of these concepts is a self-conscious distinction from the realist and institutionalist traditions, which bridges both historical-institutionalist and rational-choice models of decision making.

Calder examines six critical junctures that transformed Eurasia:

1. The oil shock and the nationalization of Middle Eastern energy away from Western major oil companies (1973-1975)
2. China's Four Modernizations under Deng Xiaoping's reform and opening regime (1978)
3. India's 1991 financial crisis and subsequent reforms (1991)
4. The collapse of the Soviet Union (1991-1992)
5. The Iranian Revolution that estranged Iran from the United States, its former ally (1979)
6. Vladimir Putin's molding of Russia into a proactive petrostate (1999-2008)

Interestingly, Calder also addresses countries where critical junctures did not occur, namely Japan and South Korea. For these two major energy consumer countries, their role in this Eurasian political economy is in construction services, financing and energy efficiency.

### Domestic Political Economies

From 1973-1999, political-economic realignments took place across the globe. European and U.S. trade with Eurasia has declined, even in energy, and both are now major importers, but not from Eurasia. According to Calder, "[t]he labor-intensive economies of China and India, on the one hand, and the resource-intensive economies of Central Asia, Russia, and the Middle East, on the other, naturally complement one another." Transregional organizations

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have kept pace with this emerging continentalism, reflected in the Asia-Middle East Dialogue (AMED), the Shanghai Cooperation Organization (SCO), and the East Asia Summit (EAS). Economic growth, rather than producing democracy and stability, has birthed military challenges. China and Russia have increased military spending. Iran, Syria, Pakistan, and North Korea are all parochial states that have benefited from continentalism. But why have these countries come together to form a new continentalism simply because old constraints been removed? Calder argues that a comparative approach to this interdependence, with a dash of geographical analysis, provides the answer. Domestic political economies of the four major energy producers—Russia, Kazakhstan, Saudi Arabia, and Iran—and of the four major energy consumers—China, India, Japan, and South Korea—create “distinctive national biases...in their energy policies, foreign and domestic, and thereby reasons for transcontinental synergy...”(p.xvii).

### **Energy Producers**

Russia and Iran both have energy efficiency problems, which Japan and South Korea can address. Kazakhstan has an interest in breaking Russia’s stranglehold by using energy resources to form a multidimensional foreign policy (p.125). Saudi Arabia is also looking to diversify its interests with non-Western firms; it is smarting from the West’s democratization agenda, and is finding in Asian countries a pragmatic pro-business approach with cost-effective labor (China and India) and world-standard construction firms (Japan and South Korea) (pp.128-139).

### **Energy Consumers**

China needs stable sources of energy to sustain its economic growth and keep unemployment low. China’s Open Up the West campaign to address China’s east-west economic disparity made room for Beijing’s newfound engagement with Central Asia, a so-called New Silk Road. This New Silk Road is an economic corridor bridging Xinjiang with its neighboring Central Asian states, with the aim of bringing social stability to Xinjiang via economic development while also establishing energy supply routes.

India’s per capita energy consumption is very low, but with India’s population projected to exceed China’s in the coming decade, the need for more energy is ever on the horizon. The British colonial era created strong India-Persian Gulf ties, strengthened by India’s Muslim population. India’s is a large consumer of Russian arms.

Japan has almost no oil and gas reserves and so its reliance on imports is virtually absolute. Japan’s share of oil imports from the Middle East is also the highest in the world. At the same time, Japan’s corporate governance meshes well with the interests of petrostates, as its energy sector tolerates high-risk endeavors and usually invests in long time horizons. Tokyo’s technological edge in energy efficiency also complements the petrostates’ need to reduce energy consumption.

South Korea is unusually dependent on oil for its primary energy—around 50 per cent as opposed to the 38 per cent world average (p.190). To face this challenge, Seoul has invested intensely in its civilian nuclear program. Thus, South Korea has a robust nuclear export program and has signed contracts with a number of Middle Eastern countries.

In the end, petrostate and energy consumers are inclined toward one another due to their energy requirements; their geographical proximity; and economic complementarity in infrastructure and economic transformation (pp.196-198).

### **Geography Still Matters**

Although the global nature of energy markets means that geographical interdependence is not a given, Calder finds that Eurasian interdependence is in part driven by the close proximity between major energy producers and consumers. North American and European energy infrastructure is old and creates inertia with set energy patterns. Asia, on the other hand, does not have as much developed infrastructure. Consequently, states therein have more flexibility in choosing their energy partners. Calder also argues that Asians tend to think for the long-term, so their supply sourcing decisions lead them to the Middle East and the former Soviet Union (p.4).

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Geography has been out of vogue among international relations scholars. Calder points to four reasons why: 1) the rise of international relations theory called for abstraction; 2) technological progress depreciated time and space; 3) globalization made room for “virtual states” like Singapore that had little in terms of physical mass yet much in influence; and 4) international fault lines for conflict became predictable after 1945 and so geographic fault lines became less interesting (p.26). But in the realm of energy, geography still matters. Air transport is not an economical option for resources such as oil and natural gas, so overland and maritime transport are favored. In Eurasia, overland transport is encouraged by the geographic closeness of the consumer and supplier, while maritime transport from the Persian Gulf to Northeast Asia must pass through sea channels deemed insecure. And of course the Central Asian energy producers are landlocked. There is logic underpinning it all.

### **Emerging Ententes**

Within this broad rubric of petrostates and insecure Asian energy consumers, Calder delves into specific ententes. Overall, Calder argues that these ententes are illustrative that “[t]hree powerful forces have been at work: elite fears of the instabilities created by ethnic diversity; fears of a rising fundamentalist threat; and the role of Russia as catalyst” (p.245). Russia’s role stems from its desire to stabilize its peripheral region by removing Western disruptive forces and increasing Moscow’s geopolitical influence by using energy relations.

Calder discusses the strategic Russia-China-India triangle as an originally defensive posture against the United States, but also shares concerns about their domestic political stability. Iran also plays an important role in various ententes, particularly with Syria and North Korea, which Calder terms pariah ententes. China and Russia both have political and strategic investments in these three pariah states. Calder is quite comprehensive on the theme of ententes, including the Shanghai Cooperation Organization (SCO), Collective Security Treaty Organization (CSTO), “hydrocarbon ententes,” Persian Gulf ententes piping petroleum through Central Asia, and energy ententes with Russia.

### **Strategic Implications**

Calder paints a worrisome picture for the United States and her allies. As continentalism continues to occur, the developed West is in danger of becoming marginalized, along with the post-WWII world order. U.S. national debt, anti-Americanism in the Middle East, Latin America, and Europe, and the rise of international IOUs from Washington all place the United States in a vulnerable position.

Calder sees sovereign welfare funds (SWFs) as a potential platform to launch Eurasia as a global influencer. Large SWFs are held by New Silk Road nations, the most important of which being the major oil and gas exporters, but also East Asian exporting nations. SWFs could challenge U.S. financial hegemony because they allow national governments to alter incentives for corporations (e.g., Blackstone, Morgan Stanley, Citigroup). They can also affect the U.S. dollar’s prized position if or when it is no longer a profitable foreign exchange to hold. The sway SWFs hold, due to their size, also may allow them to bypass regulations and erode transparency in the global financial system.

As trade relations with the United States decline relative to the Asian political economy, China will be less beholden to Washington-centric imperatives and thus have fewer constraints on its foreign policy. This has worrying implications for the human rights agenda.

This is not to say that Calder paints an inevitable trajectory of world dynamics. He balances this bleak picture with the resilience of U.S. investments in global military, economic, and innovative power, coupled with an unstable Middle East and Eurasia’s questionable ability to police itself.

### **How the U.S. Should Approach New Continentalism**

Washington should expect that its global regimes will decline as “the parochialism and energy-centric mercantilism implicit in Eurasian continentalism, whose principal national and subnational adherents lack the broad interests and liberal values that would benefit from a globalist approach” (p.288). Both the nonproliferation regime and international

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human rights regime are particular problem spots. Calder offers the following policy recommendations:

- The U.S. should focus on preventing exclusivist ententes by creating positive incentives to continue adhering to the current global regimes, especially for Russia, Iran, China, and India, while also involving Europe and Japan in this co-opting process.
- The U.S. should improve regional expertise in the halls of government, especially among its diplomatic corps.
- Since continental Eurasia still depends on energy sea lanes, the U.S. should keep a robust naval presence along them as a strategic priority.
- “American energy diplomacy needs a political-military dimension—and...political-military programs like combating the Afghan insurgency badly need an economic component” (p.293).
- The U.S. should encourage major Eurasian states to avoid, out of self-interest, continentalist alignments that lock them into a configuration without alternative options. In this regard, Calder recommends a focus on India.
- The U.S. should buttress the U.S.-Japan-Korea triangle as supporters of a liberal world system.
- Washington should prioritize energy efficiency as a national security issue. Energy efficiency policies can also be used to collaborate with energy consumer states to strengthen alliances and increase pressure on non-collaborative petrostates.

Calder ends with a sound indictment of the U.S.’s current posture. The cementing of continentalist energy relationships, which consolidate political-economic relationships in Eurasia,

flows from our own profligacy, lack of disciplined spending, and traditional view of a resource-unlimited future. The enemy, in short, is us. Only through hard work, saving, and more sensitive diplomacy can we prevent a nascent Eurasian energy-based entente from creating, in the world beyond Iraq and Afghanistan, a deepening threat to our values, not to mention our security. (p.298)

### Critical Reflections

In *The New Continentalism*, Calder admirably merges theory and case studies to prove his point with stunning clarity. Think tank reports and occasional papers highlight this new field of interest, but none so far can match the comprehensive scope of Calder’s treatment. In his analysis, Calder pieces together Russia’s assertive energy policies, China’s rapid investment in Central Asia, India’s rise, Sino-Russian convergence on Middle East issues, and South Korea and Japan’s staggering reliance on energy imports. By widening his scope of inquiry, Calder successfully elucidates the complex relationships underpinning Eurasian integration and avoids myopia. Future studies of bilateral relations that cross traditional regional lines will benefit from embedding them in Calder’s broader framework.

Calder also gives a political economy perspective to the logic behind new continentalism, rather than attributing it to pure statecraft or simple economic necessity. This is Calder’s signature approach. We first saw this in his now-classic *Pacific Review* article “Securing Security Through Prosperity: The San Francisco System in Comparative Perspective,” (2004) wherein he used domestic political economic pressures to explain the durability of the asymmetrical postwar Asia system that found the United States funding Asian exports. In *The New Continentalism*, Calder has matured this methodology.

The New Continentalism is hardly the last word on the subject, but rather may be the opening salvo in a whole slew of publications covering Eurasian integration. Alexander Cooley’s *Great Games, Local Rules*, Andrew Small’s upcoming title *The China-Pakistan Axis* and Raffaello Pantucci’s current writing project on China in Central Asia, all point to the healthy development of this fascinating field of study. Kent Calder has added an important voice to the conversation. The logic of Calder’s new continentalism is convincing and deserves sober consideration.

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[1] Kent Calder uses the term “Eurasia” to encompass Russia, Central Asia, South Asia, East Asia, and the Middle East. Europe does not receive major treatment in *The New Continentalism*.

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### About the author:

**Kendrick Kuo** is pursuing graduate studies in International Affairs at Johns Hopkins University and received his BA in International Affairs and Religion from the George Washington University. Kendrick is a contributor at Registan.net and blogs at The Asian Crescent.