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Russia-China Relations Cool. Implications for the Asia Pacific

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Whatever can be said about who's up and who's down at any particular point in time in Asian great power politics, one immutable fact is that three major powers – Russia, China and Japan – are geographic neighbors. Living in proximity in a region with a long history of warfare and protracted struggles over resources, the three countries have powerful incentives to negotiate energy, trade and arms limitation agreements and establish conditions conducive to a peaceful and prosperous co-existence.

But what of the United States, the Asia-Pacific's fourth and strongest power both as the dominant military force in the region and as a major economic player? The US is now laying claim not only to recognition of its strength in the region, it is also insisting on its geographic place at the table in Asia-Pacific affairs.

Speaking before a pan-Asian gathering of senior security officials in Singapore on May 31, US Secretary of Defense Robert Gates informed his audience that the US is a "resident power" in Asia. "By that term I mean there is sovereign American territory in the western Pacific, from the Aleutian Islands all the way down to Guam," he explained.

As he tells it, "America's status in Asia rests on long-standing interests and deeply held notions about the basic character of the United States. Projecting outward from our Pacific coastline, the U.S. has had a cultural, economic, educational, geographic, historical, and political presence in Asia since the 19th century," alluding presumably to the colonial conquest of the Philippines as the foundation for its subsequent advance.

Gates also gives his listeners some neighborly advice: as the US view of security in the region is one that leaves "little room for a separate 'East Asian' order," the only real option is acceptance of a framework of common cooperation guided by Washington.

In Guam, the US has made clear the lengths it is ready to go to realize its Asia security dreams. According to the May 30 International Herald Tribune, the US military intends to bulldoze any "remaining jungle" in Guam to make way for vast new basing facilities that will house some forces presently based in Okinawa. At the same time, China and Russia face an expansive US-Japan security relationship that extends throughout the Pacific to the Middle East and Central Asia.

This is by way of introduction to M K Bhadrakumar's analysis of recent conflicts, or at least cooling, in Russia-China relations in the areas of energy cooperation and arms trading that this former diplomat in India's Foreign Service believes "have undoubtedly introduced an element of chill into bilateral ties." These two countries recently issued a joint declaration that opposes US missile defense, advocates peaceful diplomacy with Iran and supports an expansion of Russian civilian nuclear technology trade to China. Now the US is invoking island possessions, national character and history to claim and justify an

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authentic Asian identity. If the Asia Pacific becomes more politically and militarily contested, will this lead to strengthened Russia-China bonds? Possibly, but as described by Bhadrakumar some significant bilateral differences apparently need to be addressed first. John McGlynn

Kremlinology is back in vogue. Experts and analysts have come out of the woodwork to run a fine-tooth comb through Kremlin events, searching for clues on the direction of Russian policies under new President Dmitry Medvedev.

Often in the Soviet era, during feverish over-analyses by foreign experts, the obvious would get elbowed out in favor of tantalizing interpretations over men and mice. Could history be repeating itself?

Much has been made of Medvedev's choice of Kazakhstan and China as his first destinations after assuming office from Vladimir Putin on May 7. Was it a deliberate signal to Western capitals? Moscow pooh-poohed the suggestion. A prominent Moscow commentator pointed out, "It would be best to go to the East and West at the same time, but that is impossible."

But the disarming explanation overlooked the fact that Medvedev after all did make a choice in traveling to Beijing via Astana last weekend. Eight years ago, in 2000, when Putin went abroad as Russia's president for the first time, he travelled to London via Belarus. At that time, Moscow let it be known there was rich symbolism in Putin's choice, which was intended to convey that Russia wanted closer ties to the West.



Medvedev and Hu Jintao

Equally, in May 2003, Chinese President Hu Jintao's first foreign visit took him to Moscow. The government-owned China Daily newspaper aptly commented on the day of Medvedev's arrival in Beijing on Friday: "The first foreign trip of any head of state should be a carefully calculated move. The country he or she visits is supposed to be important to his or her own country's foreign relations. Little wonder that Medvedev's two-day China visit has generated much interest … Clearly, new leaders of the two countries have put their bilateral relations on top of their foreign policy agenda."

Pragmatic cooperation

The Chinese comment stated the obvious to emphasize the bilateral content of Medvedev's visit. In fact, Chinese Assistant Foreign Minister Li Hui told the media at a briefing that Medvedev's visit would have four "goals": one, to establish a "working relationship and

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personal friendship" at the leadership level; two, to oversee the fulfillment of bilateral cooperation in practical terms; three, to increase political trust and extend mutual support on "issues concerning sovereignty, security and territorial integrity"; and, four, to deepen "pragmatic cooperation".

The fourth "goal" - pragmatic cooperation - captures the quintessence of the so-called strategic partnership between the two countries. China would have no difficulty to know that Russia has been and will remain essentially Western-centric (as distinct from "pro-West"). Over two-thirds of Russia's population live in its European part and the locus of economic and political power lies there.

But that does not detract from Russia's abiding interest in China, which is natural and historical as a neighboring country, and combines pragmatically in the present day with the imperatives of China's phenomenal rise. At the same time, Russia realizes that it is only one among many big players seriously engaging China and cannot hope to claim a privileged partnership with it.

No sooner had Medvedev concluded his two-day China visit on Saturday, South Korea's newly elected "pro-American" President Lee Myung-bak arrived in Beijing on a four-day trip. China followed the United States and Japan in Lee's itinerary. South Korea's trade volume with China is four times that of Russia's.

A free trade agreement between the two countries is under negotiation. China hopes to collaborate with South Korea in finessing a regional security mechanism for the Asia-Pacific region. Similarly, by Monday, Moscow's attention had already began drifting westerly toward Brussels, where European Union (EU) foreign ministers finally announced plans to commence negotiations with Russia over a new strategic partnership and cooperation agreement.

The talks are expected to begin at the EU-Russia summit meeting in the town of Khanty-Mansiysk in Russia's Siberia on June 26-27. Moscow is keenly listening to the new voice of realism ringing in Brussels, with both Old and New Europe alike advocating a new partnership with Russia. As noted Russia hand Jonathan Steele of the Guardian newspaper of London wrote, "The reality is that interaction between Russia and the EU is bound to develop in all these areas, however they are labeled."

Frictions in cooperation

Moscow would have reason to worry that frictions have appeared in two areas of its ties with China, which are critical to sustaining the momentum and verve of the strategic partnership. First is the energy relationship. The implementation of the multi-billion contracts signed in 2006 for Russian energy supplies to China has run into difficulty. Russia's Rosneft oil company is threatening to terminate the contract unless China agrees on a price increase.

This may also complicate the signing of a new agreement for the supply of 50 million tons of Russian oil to China in 2010-2015. In turn, this puts a question mark on the efficacy of the Chinese branch to the East-Siberia Pacific Ocean (ESPO) oil pipeline, which Russia is constructing. In an interview with Chinese journalists in Beijing prior to his departure for Moscow, Medvedev said Russia and China have reached a "basic agreement" on the ESPO and that the negotiations on oil price are "nearly complete". Expressing willingness to set up new oil refineries in China, he said natural gas cooperation with China is also "under discussion". But there was no concrete outcome during the visit.

The root of the problem in energy cooperation lies in Russia's focus on expanding its European

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market, which is where the money lies. Unlike the Europeans, China constantly seeks discount prices. Also, Russia's deposits are mostly in western Siberia, which is closer to Europe than China. The existing pipeline system is also orientated heavily toward supplying the European market. Russia's priority lies in buying downstream assets in Europe. All in all, China is quite a long way from becoming an alternative market for Russian energy exports, which in turn acts as a disincentive on Russia committing investments on projects geared for China. Medvedev mentioned in China that the Shanghai Cooperation Organization (SCO) should develop "new directions of cooperation" in the field of energy. China and Russia are the lead nations in the SCO, which also includes Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

The second fault line in Russia-China cooperation concerns military cooperation. The stark reality is that the Russia-China bilateral commission on military cooperation hasn't even had a meeting during the past two years. Russian Defense Minister Anatoly Serdyukov's visit to China has been repeatedly postponed. At present, Russian companies have nothing on their order book from China. Simply put, China has stopped buying weapons from Russia.

Post-Soviet Russia supplied more than 90% of China's imports of weapons and China accounted for 39% of all Russian exports. In 2007, China was the single-biggest recipient of Russian weapons. Yet, as of today, there are no outstanding Chinese orders with Russia for big-ticket items. It seems China is signaling its displeasure. The point is that for a variety of reasons, Russia is reluctant to supply China with state-of-the-art weapons systems such as rocket-launched flame-throwers, long-range bombers, nuclear-powered submarines, etc. China would have noted that Russia has no such misgivings about supplying sophisticated weapons systems to India.



In 2005 China purchased Russian IL-76s and IL-78s

A Russian commentator argued, "Such [Russian] caution is not pleasant for China, which has suggested that Russia think about the future of bilateral military technical cooperation. Bilateral military ties would have been rolled back to zero very quickly, if not for a European ban on the supply of weapons and combat control systems to China."

Curiously, Russia doesn't seem to be unduly perturbed by this decline in deliveries and orders. Arguably, Russia has already begun securing orders from other countries to make up for the "loss" of the Chinese market. The head of Russia's Federal Service for Military and Technical cooperation, Mikhail Dmitriev, was on record last December that Russia had secured orders worth US$32 billion from several countries, including new markets such as Algeria, Indonesia and Venezuela. There are no clear indications of Medvedev's talks in Beijing having resolved the differences impeding Russia-China military cooperation.

Russia woos China

By far the most impressive outcome of Medvedev's visit to China concerns a nuclear agreement. Russia secured contracts in excess of $1.5 billion. This includes the construction of two VVER (Vodo-Vodyanoi Energetichesky Reactor) 1,000 reactors and a gas centrifuge plant in China, apart from Russia providing uranium-enrichment services and implementing a high-capacity fast-breeder reactor.

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Significantly, Russia agreed to share with China for the first time the high technology behind gas centrifuges produced in secrecy at the Kovrov mechanical plant in the Vladimir region. The contract provides for Russia supplying 6 million SWUs (separation work units) of low-enriched uranium to China, which is very substantial quantity. (The entire uranium-enrichment capacities in the world amount to 36 million SWUs currently.)

Medvedev's visit to China underscores Russia's wooing of China. Moscow extended a strong show of support to China in countering Western pressure on Tibet. Moscow has generously come to the aid of earthquake victims in China. Against the backdrop of the growing chill in Russia's ties with the West, Moscow estimates the need to strengthen its strategic understanding with Beijing. The joint statement issued after Medvedev's visit strongly affirms a common position between the two countries regarding the US's missile defense system, the US's pressure tactics on human rights and related issues, the problem over Iran's nuclear program, the militarization of outer space, etc. In a speech at Beijing University, Medvedev said, "Russian-Chinese cooperation is now becoming a key factor in international security - a factor without which it would be impossible to take fundamental decisions through international cooperation."

All the same, the fact remains that the normative convergence in the Russian-Chinese strategic partnership aims at achieving certain specific objectives and shared interests and is not about values. Attention now turns to the annual meeting of the SCO in August in Dushanbe, Tajikistan.

So far so good. But the massive imbalance in bilateral trade (Russia increasingly supplying raw materials and China exporting engineering products); the drop in Russian military sales; and the impasse in energy cooperation - these negative developments have undoubtedly introduced an element of chill in bilateral ties. As the political commentator of Russia's Novosti news agency put it rather sardonically, "It is difficult to understand what to do next - invest more in each other's economies, continue cooperation in space (we have programs to develop the moon, Mars and Phobos), make movies together, or translate more books? Shall we do all of that at the same time?"

M K Bhadrakumar served as a career diplomat in the Indian Foreign Service for over 29 years, with postings including India's ambassador to Uzbekistan (1995-1998) and to Turkey (1998-2001).

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