



China is the Likely Winner in Ukraine

by David P. Goldman

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EXECUTIVE SUMMARY: The Ukraine crisis has created a catalyst for Sino-Russian rapprochement. Events in Ukraine have persuaded Russia that it cannot rely on Western Europe as its primary market for hydrocarbon exports. Consequently, after decades of negotiations between Moscow and Beijing for a long term natural gas mega-contract, it seems that Russia has finally relented to China's terms, with China becoming the senior partner in a lopsided China-Russia relationship.

There is broader context to the struggle over sovereignty in the Ukraine, and China may emerge as the victor. After a decade of negotiations between Moscow and Beijing for a long-term natural gas supply contract, it appears that Russian President Vladimir Putin is likely to sign a 30-year deal during his state visit to China next week. Events in Ukraine appear to have persuaded Russia that it cannot rely on Western Europe as its primary market for hydrocarbon exports. It has therefore chosen to turn towards China. Evidently, Russia is willing to make price concessions that China has long demanded and Russia has long resisted.

China's "New Silk Road" investment program is one of the most ambitious undertakings in world economic history. Beijing plans to build high-speed rail and broadband networks from China through to Turkey, with major spurs to Southeast Asia in the South, and through Israel and Egypt in the West. China will spend \$7.3 billion to build a 3,700 kilometer pipeline from Turkmenistan, as well as shorter energy pipelines through Pakistan and other areas.

China's economic presence in Russia's Central Asian "near abroad" now dwarfs that of Russia. According to a report by *GlobalRiskInsights*,

Due to its proximity and reliability, Central Asian energy is increasingly important to Beijing. Turkmenistan is already China's largest natural gas supplier, and Beijing invested \$45 billion in energy projects in Kazakhstan and Uzbekistan, including oil, gas and uranium deals. Chinese-built pipelines have helped CA countries reduce their energy dependency on the Soviet-built pipelines running through Russia for oil and gas distribution. In addition, China overtook Russia as the region's largest trade partner in 2010, with deals reaching \$46 billion in 2012, compared to Russia's \$27 billion.

The gravitational pull of China's economic reach would be difficult for Russia to continue to resist and the Ukraine crisis seems to have created a catalyst for a Sino-Russian rapprochement. A few cautionary voices in the West have warned of the outcome of the diplomatic confrontation between Russia and the West, but they have barely been audible in the general outcry against Russia's annexation of the Crimea. Dimitri Simes and Paul Saunders wrote on the *National Interest* website on March 12:

Leaving Moscow no alternative to a far stronger relationship with Beijing, possibly including new high-tech arms sales and even diplomatic support of China's territorial claims, would be a Pyrrhic victory. Perversely, efforts to displace Russia's gas exports to Europe, where current events are likely to accelerate, may make Russian-Chinese deals more likely by putting new pressure on Gazprom to accept the lower prices China is offering.

Germany's biggest concern appears to be that Putin "will turn away from the West." In his column in *Der Spiegel* on March 24, Rudolf Augstein warned, "In Russia, the Lord of the Kremlin is more popular than he has been in a long time—but not only there. (The) resistance of Europe and the USA could make him into a new hero in Asia." Augstein notes that China's party newspaper, *Global Times*, observed the "global significance" of "Russia's resistance against the West." This helps explain why two former German Chancellors, Helmut Schmidt and Gerhard Schröder, have pleaded for the West to understand Russian interests in Crimea and Eastern Ukraine.

M.K. Bhadrakumar, is an Indian journalist and former ambassador to Turkey and several Central Asian Republics. In a blog post on May 16 entitled *Ties with Russia Moving in China's Favor*, Bhadrakumar offered a useful assessment of the situation.

As the United States pushes for Europe's diversification of energy imports to reduce high dependence on Russia, it seems that Russia's 'Look East' strategy for energy exports is increasingly a matter of compulsion rather than of choice. In many ways, the Russia-China natural gas deal is symptomatic of the true

character of the two countries' so-called bilateral "comprehensive strategic partnership of coordination." Prima facie, the deal may create an impression of an emergent alliance between the two countries suggestive of a fundamental shift in global power balance. However, this would be a misperception. The painful birth pangs of the gas deal alone testify to a pragmatic partnership based on cool calculations of mutual benefit. The two countries "coordinate" selectively on international issues but are a long way from becoming allied partners. Essentially, an unbalanced relationship is moving progressively in China's favor by the day. For Russia, it is going to be an entirely new experience, historically speaking, to settle for the role of a junior partner in relations with China.

Apparently, Russia has also approved high-tech arms exports to China it had previously blocked out of fear that China would reverse-engineer and steal its technology, notably the new S400 ("Growler") air defense system. Among other advantages, the S400 would give China air defense coverage over all of Taiwan.

If the unintended consequence of Western diplomacy is to increase China's influence, what are the security implications for Israel? At present this question is too difficult to assess. Both Russia and China have close relations with Iran, and their collaboration cannot be salutary for Israel in this regard. On the other hand, as Keith Johnson observed on the *Foreign Policy* website, Islamic terrorism is the biggest obstacle to China's "New Silk Road."

I speculate that China's interests lie in political stability and the eventual possibility of a "Pax Sinica" in the region. It is my belief that events have moved too fast and too far for Beijing to have formulated a grand strategy at its characteristically deliberate pace. For now, the question is too hard to answer.

David P. Goldman writes the "Spengler" column for Asia Times Online and PJ Media. He is a Fellow at the Middle East Forum and at the London Center for Policy Studies. His book "How Civilizations Die (and Why Islam is Dying, Too)" appeared in English in 2011 and in Hebrew translation in 2013. He has held several senior positions in the financial industry, and presently is Managing Director and Head of Americas at Reorient Group, a Hong Kong-based investment bank.

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