A closer Russia-China “strategic partnership” cemented with oil and gas

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The visit by Russian President Vladimir Putin to China on March 21-22 was a further sign that Moscow and Beijing are moving closer to one another in response to Washington’s increasingly hostile stance toward the two countries.

It was Putin’s fifth meeting with Chinese President Hu Jintao in less than a year. He was accompanied by an unprecedented delegation of 1,000 officials and businessmen. Putin told Russian journalists: “A thousand people. And they all—I would like to emphasise this—are engaged in something concrete. First of all, this bears witness to the fact that Russia and China have achieved a very high level of interaction which leads to further expanding our cooperation.”

In Beijing, Putin attended the opening ceremony of China’s “Year of Russia”—a series of cultural and business events to promote bilateral relations. Next year, the Russian government is planning its own “Year of China”. A Sino-Russia economic forum was held in Beijing to strengthen bilateral trade, which grew 37.1 percent last year, largely due to China’s expanding demand for Russian oil, raw materials and weapons.

A key focus of Putin’s trip was oil and gas. Top executives from oil giant Rosneft, natural gas supplier Gazprom and pipeline monopoly Transneft were part of the Russian delegation. Of the 29 agreements signed, the most significant was a deal to build two gas pipelines from eastern and western Siberia to China by 2011 at a total cost of up to $10 billion.

Russia has agreed to supply China with 60-80 billion cubic metres of gas annually, twice China’s total consumption in 2004. The huge scale of the Chinese agreement has already provoked concerns in Europe, which depends on Russia for 70 percent of its gas, about the impact on supplies to European markets.

In response to comments in Europe, Gazprom spokesman Sergei Kupriyanov promised to fulfill existing contracts. “However, the future increases in gas supplies to Europe—in response to its growing demand—will be subject to arbitrage between China and European countries,” he warned.

Russia has the world’s largest reserves of natural gas and is the second largest producer of oil. Currently, however, Russia supplies no gas and accounts for only 5 percent of Chinese imports of oil. The pipeline deal will assist China to achieve its target of doubling the proportion of gas in its total energy consumption by 2010.

The gas deal is clearly a boost for Beijing after Moscow abrogated a 2003 agreement to build an oil pipeline to the northeastern Chinese city of Daqing. Russia decided instead to accept a Japanese proposal to build an East Siberia-Pacific Ocean (ESPO) pipeline to the Pacific port of Nakhodka to facilitate oil exports to Japan in particular.

China, which is the world’s second largest consumer of oil, is keen to have Russian supplies. In Beijing, Putin declared that there was “no doubt” that a spur from ESPO line to Daqing would be built, but no timetable was given. At present, Russian oil is transported to China via an already overloaded rail system. Russia is expected to ship about 15 million tonnes of oil to China this year, nearly double last year’s level.

Although Moscow and Beijing are yet to finalise details of the gas pipeline, including the sensitive issue of price, Russia is obviously preparing to play a central role in China’s energy supply.

According to the International Energy Agency, gas is currently providing 21 percent of global energy and is expected to overtake coal as the world’s second largest energy source by 2030. The world’s gas reserves are largely concentrated in three countries: Russia, Iran and Qatar.

With the US occupying Iraq and threatening Iran, it is clear to America’s rivals in Europe and Asia that Washington is seeking control Middle Eastern oil and gas. Thus securing alternative supplies has become a critical issue for European countries as well as China, Japan and India. Russia is an obvious option.

Dmitry Trenin, deputy director of the Moscow Carnegie Centre, recently summed up the sentiment in Russian ruling circles that Moscow should make the most of its strong bargaining position. In the nineteenth century, Tsar

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Alexander III famously declared that Russia had two allies: the army and the navy. Rephrasing the remark, Trenin commented: “Russia now has only two allies: oil and gas.”

By strengthening China as a market, Russia will be able to wield energy supplies even more effectively as a strategic weapon. Moscow has already used its position as gas supplier to threaten pro-Western regimes in Ukraine, Georgia and Armenia and indirectly warn France and Germany against putting too much political pressure on Russia.

Putin was invited to the first East Asian Summit last November, largely because of Russia’s growing importance as an oil supplier for Asia. He also visited Seoul, where he proposed to provide 6 million cubic metres of gas to South Korea in 2008, and Tokyo, where he pledged to sell Japan 30 percent of the gas extracted from the Sakhalin-1 project in eastern Siberia.

In December, as Russia began construction on the $5 billion North European Pipeline to deliver gas to Germany and other European countries via the Baltic Sea, Gazprom began demanding higher gas prices from the Ukraine. The standoff not only threatened the Ukraine, but raised the spectre of a cut-off of gas supplies to Europe.

Russian newspapers have hailed Putin’s gas deal with China as a major coup. *Nezavisimaya Gazeta* commented: “The new project paves Russia’s way not only into China but also into other countries in South and South East Asia and makes it less dependent on supplying gas to Europe”. *Vedomosti* declared that “even the sceptics have called the agreement with China ‘a breakthrough’ and ‘a revolution’. The point is that as of 2011, not just Europe but also Asia will be dependent on Russia gas.”

At present, Russian and Chinese foreign policies broadly coincide. Both countries share concerns about Washington’s aggressive policies—in particular the US-led occupations of Iraq and Afghanistan and the US military presence in Central Asia. Moscow confronts hostile US-backed “colour revolutions” in former Soviet republics. Beijing is facing a barely disguised policy of US strategic containment through a network of allies, including Japan, South Korea, Australia and India.

As a result, the two countries are not only forging a closer economic relationship but a strategic one as well. With a continuing arms embargo imposed by the US and EU after the 1989 Tiananmen Square massacre, China already relies on Russia as its single largest source of weapons and military technology, in turn propping up Russia’s decaying arms industry.

Putin and Chinese President Hu spelled out their “shared interests” in a joint communiqué, which reaffirmed the sovereignty of independent nations—that is, opposition to US intervention in regions vital to Chinese and Russian interests. It called for a “political and diplomatic” solution of the Iranian nuclear standoff, in opposition to the US push for economic sanctions and military action against Tehran.

Significantly, the communiqué called for “a triangular cooperative mechanism” with India. The Bush administration has been seeking to establish India as a major strategic ally as part of its geo-political plans, including to encircle China. In response, China and Russia are trying to woo India away from the US. Last year they granted observer status to New Delhi for the Shanghai Cooperation Organisation (SCO) of Central Asian states. The meeting in Kazakhstan issued a statement calling for the US to set a deadline to shut down its military bases in Central Asia.

The Beijing joint communiqué also backed China against Taiwan, supporting Beijing’s Anti-Secession Law passed last year that authorises the use of military force against Taiwan if it declares formal independence. The communiqué declared that Taiwan was part of China’s “internal affairs” and other countries should not interfere.

In an interview with the Chinese official Xinhua news agency before his trip, Putin pointedly criticised Washington’s support for pro-US regimes in former Soviet republics such as Belarus, Ukraine, Georgia and Kyrgyzstan. He said the US was trying to “forcibly export democracy and impose cultural standards and values”.

Russia and China are also holding joint military exercises. Last year, the two countries held their first-ever combined war games—“Peace Mission 2005”—on the Chinese coast. Although not stated, the obvious target of their imaginary “mission” was Taiwan. Last month, Russia announced plans for the second joint exercises in the spring of 2007 in Russia’s sensitive Southern Federal District or northern Caucasus, which includes Chechnya and is adjacent to Georgia, Azerbaijan and Ukraine.

Far from backing off, Washington is likely to react to the developing relationship between Russia and China in an even more aggressive manner.

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