



Ukraine crisis forces Eurasian evolution by Francesco Sisci

Francesco Sisci (fsisci@gmail.com) is a columnist at Asia Times and a longtime resident in China. This article originally appeared in "Asia Times Sinograph" on April 30, available at <http://www.atimes.com/atimes/China/CHIN-01-300414.html>.

It has not happened yet, but expectations are already enormous. A massive strategic and economic shift is expected to result from Russian President Vladimir Putin's visit to China in May. After decades of fruitless talks, Moscow and Beijing are now likely ready to sign a sweeping deal that will see China invest billions of dollars in Russia, with vast resources being sold in the other direction. This correspondent first saw the agreement signed 20 years ago, when Boris Yeltsin and Jiang Zemin were the presidents, and not much occurred since. This time things seem to be real, however.

In the past, the two parties failed to finalize the fine print of the deal. There were too many differences on the price of gas, the route of the pipeline, ownership of resources in Russia, and on the distribution network in China. Now all these problems are solved – or so it seems – because of a change of heart in Russia linked to the Ukrainian crisis.

Russia worries that because of this crisis, Europe will not buy its gas and oil, or will decrease its purchases. Oil prices have remained pretty low, even though the supply from other oil-exporting countries has been low or dwindling. Libyan oil production is at a fraction of its capabilities, Iranian trade remains subject to sanctions, Iraqi supply has not recovered to pre-war levels, and Algeria is drying up. All this, plus the Russian threat of not selling gas to Ukraine (which allegedly has been stealing gas and oil from Russia for decades), should have created a huge spike in oil prices.

That didn't happen because American shale oil and gas stocks are so large as to have stalled US plans to increase its supply of green energy by subsidizing new technologies. Now, and for the foreseeable future, problems with oil supply hurt producers far more than Western consumers, who now have access to the American hoard. This makes it a life and death issue for Russia to find an alternative consumer to Europe. Europe may suffer somewhat without Russia's oil, but Russia's economy could crack without those sales.

China could get up to 30 percent of its energy needs from Russia, an amount equal to over a third of the latter's production. This will partially unload the European gun of not buying Russian oil and create a new dimension to ties in the Eurasian continent. Russia can play Europe against China and vice versa. Beijing knows this, and it is interesting to ponder why China is willing to be played and help Russia in this way.

China is hooked on coal (which is extremely polluting and difficult to distribute) and energy imports from the Middle East. It would be good strategy to improve this situation.

Besides, China may want Russian goodwill to move into Central Asia, as the eastern sea border and its sea-lanes may become difficult to manage because of the new animosity with neighbors in that area. Central Asia or Russia could become an alternative route to avoid being constrained.

Without the Ukrainian crisis, Moscow might have taken more time to clinch a deal with Beijing, if it managed to do so at all, and even if a deal had been finalized, conditions could have been less advantageous for China. As former US President Richard Nixon observed in the 1970s, Eurasia has to be considered in its entirety to fully grasp its strategic possibilities. By understanding the region's geopolitics, Nixon played China against Russia. Now, Russia, feeling pressed by Europe, and China, hemmed in by the "pivot" to Asia, are playing the Nixon doctrine against the US, which has been considering Europe and Asia separately. In sum, Russian President Putin and his Chinese counterpart Xi Jinping may be better students of Nixon than the Americans.

Yet things might not be quite that straightforward. In his recent visit to Japan and South Korea, President Barack Obama stressed the need to rethink the pivot to Asia. Moreover, he signaled an important step in the controversy between China and Japan on the Senkaku/Diaoyu islands. He did not take a position on the ownership of the islands, and thus de facto supported the idea that there is a dispute.

Japan denies that the islands are disputed. Moreover, in South Korea (a country that has consistently backed China on the Senkaku issue), Obama encouraged Seoul to develop good ties with Beijing. In neither case did the US president hint that the US is backing off from its history with either country, but definitely there was political sensitivity at work here.

This plus the unexpected Russia-China energy agreement on the heels of the Ukrainian crisis prompts the idea that the US may want to begin considering its pivot to Asia not in regional terms but in global ones. China is a global player, and its influence is bound to increase in the next few years. Therefore it may be naive to think that one can deal with China without taking into account the balance of power in Europe or the Middle East or Russia.

In fact, the Chinese role in the Middle East has already spurred Israel to reach out to Beijing, despite long-established official Chinese support for Arab countries and Iran. In Europe, Germany has stretched its economic and commercial muscles to reach out to China, but these muscles do not have political legs. China knows that the Israeli and German/European players have a role in the US game. It is not clear if the US computes or will compute them in the recalculation of the pivot to Asia.

In any case, a new political phase is opening in Eurasia, once again under the star of Richard Nixon.

PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed.