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The Japan Times

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Putin raises stakes in Asia

By DAVID WALL
Special to The Japan Times

LONDON -- In October, Russian President Vladimir Putin and Chinese President Hu Jintao stood together in the State Guest House in Beijing while their respective foreign secretaries signed an historic agreement defining the two countries' common 4,374-km border for the first time. The border was an issue over which several battles had been fought in the past.

It took a while to close the deal because of disagreement over a few islands in the Amur, Ussuri and Argun rivers, which make up China's northwest border with Russia.

Nobody spoiled the party by pointing out that this border is between Inner (Chinese) and Outer (Russian) Manchuria, both of which belonged to China until Russia forced a couple of unequal treaties on the weak Qing emperor in 1858 and 1860. In fact, these are the last treaties of China's "Hundred Years of Humiliation" that have not been canceled.

The two leaders characterized the signing as "an important contribution to the security and stability of the Asia-Pacific region and the world at large." But I'm sure nothing was further from Putin's mind than the claim to the few sandy islands he gave up. His real concern was how to consolidate Russia's influence in East Asia at a time when its base in East Europe is crumbling, and how to balance the United States' growing presence in the Caucasus and Central Asian republics.

The fact is that Russia is increasingly dependent on East Asia, China in particular, for the well-being of its economy. With the collapse of its economy, Russia's military-industrial complex would be in real trouble if it were not for the fact that the armaments industry and its suppliers have become dependent on arms sales to Beijing. This dependence has grown to the point that Russia and China will engage in extensive war games in China later this year.

Russia is treating these games largely as an exhibition of products it could sell to Beijing. The Russian military has overcome political resistance in Moscow to putting on the show. Up for sale are state-of-the-art strategic bombers, the TU22M3 and TU95. Destroyers, an

aircraft carrier and other ships to help China found a blue-water Pacific fleet, and missiles designed to attack U.S. aircraft carriers that might threaten the new Chinese Navy, have all been supplied or promised.

In southeast Russia, Russian dependence on China is growing so fast that Putin is trying to slow it down. With the domestic economy collapsing and Russians leaving the area as fast as they can get out, the Chinese are moving in.

Exports of Chinese consumer goods to the region are booming as is cross-border Chinese investment in restaurants, hotels and the exploitation of natural resources -- sometimes of dubious legality, as in the deforestation that is going on and the supply of "scrap" metals from Russian state-owned enterprises.

Putin has slapped tariffs of 200 to 300 percent on Chinese exports to Russia and is preventing local governments from building new cross-border bridges and trade zones. He has also refused a Chinese request to lease two ports north of Vladivostok. He was too late to stop the completion of the railway from Vladivostok to Hunchun, the Chinese town where the Russian, North Korean and Chinese borders meet. The trade now based on that railway, and a new highway on the Chinese side, is now mushrooming.

When Putin broke the agreement that the Russian oil company Yukos had made with the Chinese to build an oil pipeline from Siberia to Daqing in China's Heilongjiang province, it seemed like a slap in the face of the Chinese. The sense of outrage grew when Russia announced a deal with Japan to route the pipeline to Nakhoda, a port north of Vladivostok on the Sea of Japan.

This was, however, a masterstroke for Putin. He gained favor with the Japanese, and billions of dollars to help build the pipeline -- dollars that the Chinese had not offered. After the deal with the Japanese was signed, he then pointed out that it would be easy to build a short spur pipeline into China from the new long-distance line. He also promised to triple the delivery of oil by rail to China from 10 million tons a year to 30 million tons.

Putin has also offered to talk about selling the Chinese 20 percent of Yuganskneftgas, which had been the main production unit of Gazprom. Another Russian proposal on the table is to help build a pipeline from Kazakhstan's oil fields into China and to share with China access to the Kazaks' Kurmangazy oil field. The Chinese could finish up better off for oil than they had been with the Yukos deal -- and the Japanese are happy too.

Just to complete the picture, the Russians sent Alexei Miller, chairman of Gazprom, the world's largest gas company, to North Korea last week to discuss the joint exploitation of gas and oil fields there, and pipeline routes to supply Russian gas to both North and South Korea.

So everyone in East Asia is happy with the Russians at the moment, except Taiwan. Putin stressed in Beijing that Russia does not favor independence for Taiwan, recognizes it as an inalienable part of China, and will prevent its joining all international agencies, including the United Nations. He did not mention U.S. sales of arms to Taiwan, but then he wouldn't, would he? If they stopped, China might not need to buy arms from Russia.

David Wall is an associate fellow of Chatham House.

The Japan Times: Feb. 2, 2005