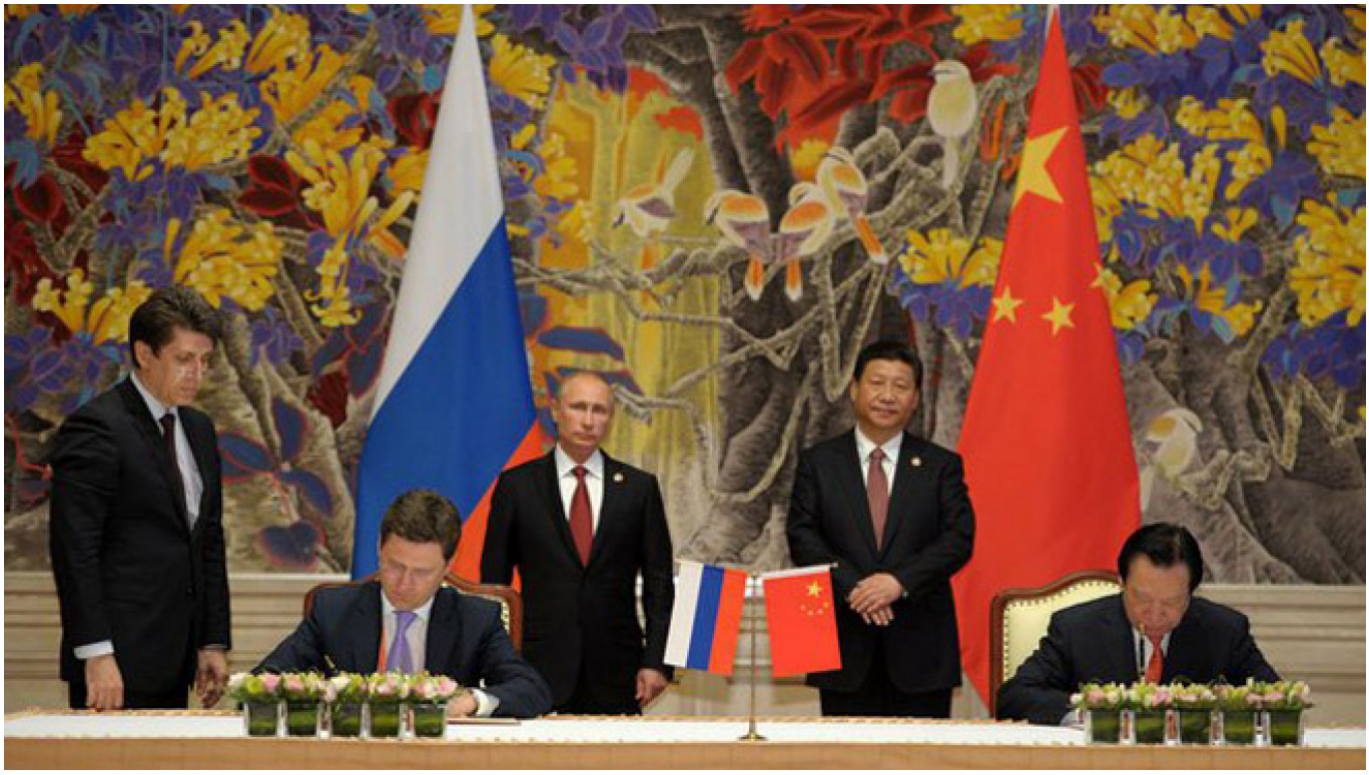
The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

As Russia and U.S. Struggle, China Rejoices

By Alexander Panin

August 24, 2014



President Vladimir Putin, middle standing, alongside Chinese counterpart Xi Jinping, right standing, in Shanghai in May, when Russia and China signed a much-anticipated gas deal.

With multi-billion dollar energy deals between Moscow and Beijing recently being pushed through, China, the world's second-biggest economy, is benefiting the most from the spiraling tension between Russia and the West over the violence in Ukraine.

Hungarian Prime Minister Viktor Orban earlier this month compared the European Union's sanctions policy against Russia to "shooting oneself in the foot," and experts on China said Friday that Beijing would be better served by not answering U.S. calls to punish Russia.

Nonetheless, the U.S. seems determined to get China onside. Last week, in an interview with Lithuanian news portal Alfa.Lt, the U.S. State Department's coordinator for sanctions policy Daniel Fried, said Washington was continuing its campaign to drum up support for sanctions on Russia and was seeking allies in Asia, namely in South Korea, Singapore and China.

"We had consultations with China and will continue our consultations," Fried said.

So far, the U.S. has been joined by the EU, Canada, Japan, Australia, New Zealand, Norway and Switzerland in slapping various degrees of economic sanctions on Russia over its role in the increasingly bloody Ukraine crisis.

China — Asia's most powerful economy, and a partner of Russia in energy-related trade — has been asked to join the sanctions before but has been reluctant to dance to Washington's tune.

The White House is not in a position to force the issue either. The U.S. economy and trade have become so intertwined with China that Washington does not possess any real tools that could be used to convince Beijing to follow its policy, analysts said.

In addition, Chinese officials have repeatedly said that the sanctions tactic is ineffective and will only lead to retaliatory measures from Moscow, a prediction that came to pass earlier this month when Russia imposed a one-year food import ban on countries that targeted it with sanctions, causing billions of dollars in estimated damages.

China Skims The Cream

Vasily Kashin of the Moscow-based Institute of Far Eastern Studies said that China had nothing to gain from Russia being weakened by Western pressure.

"Officials in China are now quietly clapping their hands if not rejoicing openly. ... The situation that came about because of the crisis in Ukraine is in their best interests and they would like to keep things the way they are," Kashin told The Moscow Times.

China is already cashing in on Russia's impasse with the West as long-planned deals are finally clinched in its favor.

In May, just as the conflict in Ukraine was gaining momentum and Russia's relations with the West were deteriorating into what is now being called the worst standoff since the Cold War, Russia signed a $400 billion gas deal with China that had been under discussion for a decade.

"This deal has shown that China is a tough negotiator. [The deal] was discussed for years before being signed only in the wake of a difficult political situation," said Sergei Grinyayev, head of Moscow-based Center for Strategic Estimates and Forecasts, a nongovernment foreign affairs and national security think tank.

Apart from future gas supplies, Moscow and Beijing recently agreed on increasing crude oil imports from Russia, and on the construction of new reactors at the Tianwan nuclear power plant on China's east coast.

Also, as Russian companies now have limited access to Western technology because of the sanctions, many of them are turning to China for supplies, a market they are likely to stay in long term.

"When the current crisis is over, it does not mean that these companies will redirect their

logistics back to Europe, they will likely continue buying their supplies in China," Kashin said.

No Means To Squeeze The Dragon

The U.S. State Department's Fried said he could not gauge the current effect of sanctions on Moscow's policy in Ukraine, but stated that the U.S. was constantly looking for ways to ramp up the pressure.

But experts on China said they doubt the U.S. can persuade Beijing to join the sanctions club against Russia.

"The U.S. has no means to put pressure on China. It could be done only regarding some limited projects or companies," Kashin said.

What the U.S. could do is pressure its own companies not to provide technology to their partners in China. For instance, limit the supply of know-how and software to Chinese IT companies, said Vladislav Inozemtsev, a professor of economics and director of the Moscow-based Center for Post-Industrial Studies.

But the Chinese market is very important to U.S. information technology firms, Kashin said, meaning that such a measure would do mutual damage.

Furthermore, China has already proven itself to be a tough fighter when put under pressure, and will not succumb to any forceful attempts to make it impose sanctions, according to experts.

"Chinese companies are all too familiar with U.S. State Department sanctions as many of them have been blacklisted by the U.S. and denied access to technology," said Sergei Sanakoyev, secretary-general of the Russia-China Chamber for Trade Cooperation on Machinery and Innovative Products.

U.S. diplomats will get nothing more than a polite refusal to comply with their sanctions, Sanakoyev said, adding that all attempts to squeeze China will only result in harsh retaliatory measures.

One way China could retaliate would be through the revision of large trade contracts. For example, China is one of the world's biggest markets for aircraft producers Boeing and Airbus and all large procurement deals have to be approved by the government.

"In the blink of an eye, Beijing could easily cut deals worth billions of dollars," Kashin said.

China could also put several top managers of large Western corporations in jail, as was the case with Australian mining company Rio Tinto, Kashin said.

In 2010 a number of Rio Tinto staff were sentenced to prison terms for bribery. The arrests came shortly after Rio Tinto declined to sell part of the company to the Chinese state-owned company Chinalco and at a time when Chinese steelmakers were faced with sharply growing prices for iron ore.

"What in Russia is considered outrageous in China is common practice. This has been done

a thousand times before and could be applied again," Kashin added.

See also:

U.S. Wants China to Join in on Russia Sanctions

Contact the author at a.panin@imedia.ru

Original url:
https://www.themoscowtimes.com/2014/08/24/as-russia-and-us-struggle-china-rejoices-a38658