

Putin in Shanghai: a strategic partnership on Chinese terms

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Russian President Vladimir Putin's official visit to China on 20-21 May has brought mixed results in terms of the objectives that Moscow set itself. In the field of energy, Gazprom and the CNPC finally signed, after ten years of negotiations, a long-term gas supply contract. Another contract was signed by Novatek on LNG supplies. In other economic areas, the fruits of Putin's visits appear very modest. Politically, the summit was only a limited success for the Kremlin. In order to strengthen its political position *vis-à-vis* the West, Russia wanted the visit to be seen as an exceptional event, signifying a qualitative breakthrough in Russian-Chinese relations. Moscow also counted on receiving clear support from Beijing for its position in the conflict with the West over Ukraine, but Beijing has offered only limited support. A new symbolic touch during the summit was the appearance by both leaders during joint exercises by the Chinese and Russian navies.

The economic results: energy contracts....

The main event of the summit was the signing by Gazprom and the CNPC of a long-term gas contract (the negotiations were only completed during the summit itself). This contract is for 30 years, and provides for the supply of up to 38 bcm of gas per year. Its declared value is US\$400 billion, which allows us to estimate the average price at about US\$350 per 1000 m³ (the actual price depends on a number of parameters, which have not been disclosed). According to the media, the Russian side demanded a price of around US\$400 per 1000 m³, which means that, finding itself under strong pressure because of political context of the visit, it had to accept a reduced price (some Russian experts had estimated the cost-effectiveness threshold at US\$360). According to information from the Russian side, the contract also states that the costs of its implementation are to be shared between Gazprom (US\$55 billion) and the CNPC (US\$22 billion). It was also disclosed that China can make a prepayment of US\$25 billion, which is likely to entail a price discount.

Novatek also signed a major 20-year contract to supply 3 million tons of liquefied gas from Yamal. At the same time, a memorandum was signed on the financing of the Yamal-LNG project between the Yamal-LNG company, Gazprombank, Vneshekonombank and the China Development Bank Corporation. Rosneft only signed off on a schedule for work on the construction of a refinery in Tianjin, which had been negotiated for several years, and the supply of Russian oil to it.

...problematic economic cooperation....

The other economic results of the summit are at best modest. The hosts tried to score a propaganda success by pointing to a figure of over 40 documents on economic cooperation which were signed, but most of them are non-binding memoranda, letters of intent, or framework contracts. Only a few are contracts or binding agreements on specific joint projects. Six of them are relatively small contracts to build new clinker production lines in existing factories.

Outside the energy sphere, the binding agreements signed include: the exploitation by the E+ group and the Shenhua company of coal deposits; the construction of a thermal power plant by RAO ESV (which is part of RusGidro) and the Dongfang Electric International Corporation; the construction of a car factory in Tula by Great Wall Motors (US\$500 million); the construction of a synthetic rubber factory in Shanghai by Sibur and SINOPEC; and the delivery of parts for assembling cars by the Derways and Huatai companies. According to the Russian press, an agreement was also signed on financing the construction of a new railway bridge over the Amur, although it does not appear in the list of documents signed at the summit.

It is striking that, contrary to expectations, no agreements in the military-technical field were concluded. The sales of Su-35 fighters to the Chinese were not finalised, despite several years of negotiations, nor was the 2012 framework contract for the supply of submarines signed. Nor were any specific agreements on high technologies concluded. Regarding the projects concerning the construction of wide-fuselage passenger aircraft and heavy helicopters, which had been loudly trumpeted before the summit, the companies in question merely signed a non-binding memorandum.

The summit's economic results well reflect the structural problems in economic relations between China and Russia. With the increase in trade, which reached almost US\$90 billion last year, the level of Chinese investment in Russia at the beginning of 2013 was only US\$3.5 billion. The two states' economic cooperation is based on a 'semi-colonial' model of simple trade exchange, under which Russia nearly exclusively sells China raw materials (oil, coal, metals, and timber – 84% of exports in 2013) and imports mainly industrial products from China (especially machinery and equipment – about 38% in 2013). Despite calls, repeated at every Russian-Chinese summit, about the need to raise the technological level of Russian exports, for an increase of Chinese investment in Russia, and for the development of cooperation in the area of high technologies, there has been no change to this situation, and there is no reason to think that the Shanghai summit will have proved any more effective in this regard than its predecessors.

The political results: a rhetorical alliance...

The Russian-Chinese summit took place against the specific background of the deepest crisis in Russia's relations with the West since the end of the Cold War over the armed conflict in Ukraine, the sanctions imposed by the West on Russia and discussions on their possible extension. In this context, the summit in Shanghai was a great opportunity for the Kremlin to demonstrate to the West and its own people that Russia is not isolated in the international arena, that it can count on the support of a powerful ally, and that it has an alternative economic partner to the West.

However, in the diplomatic and military areas, Moscow can only have been partially satisfied with the results of the summit. Putin was able to strengthen his image by announcing that the strategic Russian-Chinese partnership had reached “a new level in principle”, and clarifying that “there are no contradictions” between Moscow and Beijing and “no problems that would burden our relationship”. The coincidence of the summit with the ‘Maritime Cooperation-2014’ joint Chinese-Russian naval manoeuvres, with the two leaders attending the opening ceremony, can be considered as an important signal demonstrating that Russian-Chinese cooperation also has a military dimension. This has taken on special significance in the context of the West’s near-total suspension of its military cooperation with Russia.

...partial support on Ukraine...

The joint declaration adopted at the summit called for renouncing “the language of unilateral sanctions” as well as the “organisation, support, finance or promotion of activities aimed at changing the constitutional system of another state or drawing it into any multilateral organisation or alliance”. Although the recipients of this appeal were not named directly, it means that Russia has received unequivocal support from China on the sanctions imposed on it by the West, and that Beijing shares Russia’s criticism of Western policy towards Ukraine.

However, the point of the declaration relating directly to Ukraine was formulated in a relatively balanced way: it expressed “serious concern at the protracted internal political crisis in Ukraine” and called for “the conflict in the country to be de-escalated, restraint to be shown, and peaceful political ways to be sought to resolve the conflict”. The declaration calls on all regions and socio-political groups to take part in a national dialogue and jointly develop “a concept for the further constitutional development of the country, providing for full protection of all generally recognised civic rights and liberties”. This statement does not fully reflect the Russian position. For example, there is no mention of the federalisation or neutrality of Ukraine; there is no outright condemnation of the Kyiv government; and the call for restraint may also be interpreted as referring to Russia. Hence, on the issue of Ukraine, which is of key importance for Moscow, Putin has failed to obtain full and unequivocal support from his ‘strategic partner’.

... a common front against the USA...

The joint declarations which are routinely adopted at Russo-Chinese summits usually contain anti-American overtones in the form of exhortations for the construction of a multipolar international order, as well as lists of issues on which the Chinese and Russian stance is contrary to or inconsistent with that of the US, or in some cases, the West more generally. The declaration adopted at the Shanghai summit does not deviate significantly from this pattern, although the list of contentious issues is longer than usual. We may assume that Moscow would have preferred a statement containing sharper and more explicit condemnation of the United States and its policies towards Russia and Ukraine.

A new element in the declaration is the criticism of using contemporary information and communication technology in a way that violates national sovereignty and the right to

privacy, and the demand to internationalise supervision of the internet. The declaration also addresses the topic of the civilisational and cultural dimension of the polycentric international order more clearly and in greater detail than had been done in previous bilateral documents of this type. It calls for “unconditional respect for the right to the independent choice of paths of development, the preservation and defence of their cultural-historical, ethical and moral values”, and protests against the imposition, under the guise of their universality, of human rights standards which are particular only to a single country or group of countries. Another new element in the declaration is the announcement of a common front against the falsification of history and any revision of the results of World War II.

...and a clash of interests in Central Asia

The part of the declaration concerning Central Asia and the post-Soviet area can be interpreted as a compromise; an attempt was made here to reconcile the Russian and Chinese integration projects. Moscow did in fact obtain a declaration of support from Beijing for its Eurasian integration project; but for its part, Russia had to accept the Chinese ‘New Silk Road’ project, albeit in exchange for Beijing’s declaration of its readiness to take Russia’s interests into account in the preparation and implementation of the project. Russia did not have to give reciprocal assurances concerning its own integration project. However, this success is unlikely to be of much real importance. In practice, the success of these *de facto* competing projects will be decided by the economic and financial capacity of their sponsors, and in this respect, Moscow cannot compete with Beijing. It is not clear whether the parties will in practice be able to limit their political and economic rivalry in the region, or will merely have to hide it.

The long-term context of the visit

Cultivating personal relationships and encounters with successive leaders of the PRC has for many years been a key element of Putin’s policy towards China. Putin’s talks in Shanghai with Chinese leader Xi Jinping was their seventh meeting since Xi took office as President of the PRC in March 2013 (Putin has not met any leader of another country outside the CIS as often). From the outset of his rule, Vladimir Putin has taken care to strengthen political contacts and intensify economic relations with Beijing. His overriding goal has been to create a network of mutual political and economic ties that will minimise the risk of conflict between the two countries, while strengthening Moscow’s position towards the United States. The declared common strategic goal of both countries in the international arena, and a benchmark for their co-operation, was and still is the creation of a polycentric world order, which would replace the order based on US hegemony.

At the same time, in its dealing with Beijing Moscow is working to develop an optimal model of the relationship, which – in her opinion – should apply between the great powers in the context of a polycentric international order. This model assumes the pursuit of a consensus based on a compromise between the great powers; the total de-ideologisation of interstate relations; the absolute non-interference in the internal affairs of the great powers; the mutual recognition of spheres of influence; the discreet treatment of controversial issues and their resolution by backstage deals; and the priority of business cooperation, which is treated as

the most effective way to alleviate and prevent political tensions. However, the course and results of the summit seem to suggest that under such a model, Russia will have to actually come to terms with being the 'junior partner' of China, as any compromises struck are more likely to reflect the interests of Beijing than those of Moscow.