

33 VALDAI PAPERS

November 2015



KISSINGER'S NIGHTMARE: HOW AN INVERTED US-CHINA-RUSSIA MAY BE GAME-CHANGER

**Mathew Burrows
Robert A. Manning**

About the authors:

Mathew Burrows

Director of the Atlantic Council's Strategic Foresight Initiative , USA

Robert A. Manning

Senior Fellow at the Atlantic Council, USA

** This is a revised and expanded version of earlier article published on this topic in The National Interest
<http://nationalinterest.org/feature/americas-worst-nightmare-russia-china-are-getting-closer-13661>.*

It was a brilliant stroke in 1971, when Nixon and Kissinger took advantage of China's fears of the USSR with the historic U.S. opening to China. That chess move created a strategic triangle with the United States in the catbird seat and turned ideology on its head, dividing the two communist regimes. Now amid a surprising attention deficit in the United States, tensions with Russia are resulting in Washington getting the short end of the stick, with risky implications for the global order: Sino-Russian relations are closer than they have been at any time in the past fifty years, giving them the chance to reshape the global order to their liking.

It may be Henry Kissinger's worst nightmare. Whereas Kissinger's strategic logic was to gain advantage for the United States by having better relations with both Moscow and Beijing than they had with each other, it now looks like China will be the winner as the rift grows between Washington and Moscow. While there is a tendency to focus on historic differences, racial fears and geopolitical competition, the new Sino-Russian trend may be more of a marriage of convenience than anybody in the Washington foreign-policy elite will admit.

U.S.-led sanctions against Putin's Russia has led it to "pivot" East, particularly to China – which has its own Eurasia pivot West – even if it means a weakened Moscow being the very Junior Partner. Its long-term energy future lies in Asia, and nearly half a trillion dollars in gas and oil deals with China will bolster a sagging Russian economy. China gains a valuable partner – instead of a rival – for stabilizing and modernizing Eurasia, which China increasingly sees not as a backwater, but its economic future. China's new "One Road, One Belt" pivot west to Eurasia seeks to turn its vulnerability – a border with fourteen nations – into a strategic asset. Together they seek to realize MacKinder's vision of a Eurasian heartland unopposed – with the possible exception of India. Moreover, this occurs at a time when the European Union is economically weak, when the idea of Europe is in question, and with an EU looking mostly inward.

A successful partnership in Eurasia – boosting its economic prospects by putting in infrastructure and stymieing extremism that threatens authoritarians in Moscow, Beijing and Central Asia – would underline the success of the non-Western model of authoritarian state-centric capitalism. Not just the region, but also Africa and Latin America – where China already has made inroads with its development largesse – are bound to take notice.

To a degree, it already exists. China usually follows Russia's lead in the UN; together they have blocked sanctions against Assad in Syria, making sure the Western-led operation to depose Qaddafi in Libya is the last R2P operation of its kind.¹ The backtracking on democracy which Freedom House already decries – nine years in which there has been declines – would accelerate. Both make no bones about preferring to deal with authoritarians.

Russian efforts on a Eurasian Union would get a further boost. The Shanghai Cooperation Organization is already enlisting more members (Pakistan and India recently joined) as the region senses where the wind is blowing with the United States and NATO leaving a mess behind in Afghanistan. The United States and its Western partners are seen as having their

¹ R2P is a proposed norm that sovereignty is not an absolute right, and that states forfeit aspects of their sovereignty when they fail to protect their populations from mass atrocity crimes and human rights violations. Namely: genocide, crimes against humanity, war crimes, and ethnic cleansing – **editor's Note**

hands full in the Middle East, while also assuring Central/Eastern Europeans that NATO's Article V security commitment still stands.

At least for the short-term, Moscow and Beijing have avoided their strategic competition in Central Asia. There appears to be at least a tacit Sino-Russian division of labor in Central Asia, with Moscow taking the lead on security and Beijing flooding the zone with aid and investment. Its new BRICS Development Bank and Asian Infrastructure Investment Bank should lubricate China's efforts to realize its "One Road, One Belt" new silk road strategy. In contrast, the U.S. Shale Revolution and new players like Iraq and Iran have reduced the attractiveness of the Central Asians to the West. The West has more than enough oil. Their markets are now more local. The age of the big pipelines is over, as global LNG markets continue to grow and new gas finds in the Eastern Mediterranean promise more non-OPEC sources of energy.

Counterterrorism was another source of attractiveness to the region. Supplying Afghanistan with troops and supplies meant the United States and its allies needed the Central Asians. Now the footprint is much less. Counterterrorism is done on the cheap with drones – and in Pakistan and Afghanistan we don't even need permission. The US exit is an opportunity for China's Eurasian gambit.

Global Consequences

Beyond their Eurasian symmetry, there are a host of common interests, both in opposition to U.S. primacy, U.S. values of democracy and transparency and a shared desire for a more multipolar world order. Both are pursuing nationalist agendas, drawing on historic, cultural identities. Both seek an authoritarian capitalist model in opposition to the "Washington Consensus." Both oppose an open internet and with similar notions of Internet "sovereignty", seek to Balkanize it and have signed a pact on cybersecurity matters.

Cooperation between the Chinese and Russian militaries has increased significantly, showcased in their recent largest ever joint naval exercises in the Sea of Japan involving dozens of warships, submarines, fighter aircraft and hundreds of marines. A not-so-subtle message to the US.

This raises profound questions about the future of global governance and the dynamics of world order. In the worst-case scenario, a new bipolarity could emerge, with China, Russia and a handful of authoritarian regime from Central Asia on one pole and the United States, EU and Asian allies and partners on the other. This is not a recipe for peace and prosperity. It would leave many of what were once known as "nonaligned" nations like India, Brazil, Turkey, Egypt and others caught in between.

Sino-Russian Contradictions

Yet there are also other, contrasting trends. While Russia has sought to pull back from the global economy it entered into upon the collapse of the USSR in 1991, China has bet its future on the global economy and has a domestic agenda of market reforms aimed at transforming its investment-driven, export-oriented economy into a consumer-led innovative economy. Then there is China's economic calculus: Chinese trade with the United States, EU and Japan was \$1.4 trillion in 2014 compared to \$88 billion in Sino-Russian trade in 2014, with a downward trend as China's economy slows and Russia's economy is in negative growth, a recession likely to persist into 2017

Some of the oil and gas megadeals they have signed over the past several years may be at risk – or at least slow to be realized. A slowing Chinese economy, flatter energy demand growth, lower oil prices and a changing global gas market have changed Beijing's energy calculus. Getting locked into multibillion dollar pipelines is increasingly less attractive to Beijing.

Gazprom signed a 30-year gas deal estimated \$400 billion during Putin's visit to China in May 2014. Yet to date, no agreed gas price has been revealed. Oil shipments to China have dropped to below contracted levels – 1.48 mil tonnes in 2015 of 5 mil tonnes contracted. Nor have Beijing and Moscow agree on advance payments needed for Moscow to build the gas pipeline. China is not providing \$25 billion to finance the Power of Siberia pipeline. One of Moscow's big hopes was for another gas pipeline from western Siberia to the Chinese market, which would reduce Moscow's reliance on Europe as a gas market. But China has yet to agree to the Altai pipeline deal, and is reluctant to commit upwards of \$25 billion amidst a glut of global gas and a burgeoning LNG market.

The Chinese have yet to step up to the plate and compensate for the capital flight from Russia in the wake of the Western sanction. China put in only \$1.6 billion into the Russian economy in 2014 versus almost \$152 billion that was lost due to capital flight. A \$150 billion Yuan currency swap with Russia's Central Bank last year has found little demand, as it can only be used in short-term trade financing. Most importantly for Russia's future, it's not clear that the turnaround will be anytime soon. Western sanctions look set to stay at least for the next couple years and what was an insatiable appetite for commodities will never return even when the current slump ends and Chinese demand revives.

While the Russian petro-state appears in slow, but steady decline, China is a rising state, increasingly defining itself as a Great Power, and one seeming intent on fostering a contemporary version of pre-modern Sino-centric tributary rule in Asia.

One staple of Moscow-Beijing ties since the mid-1990s has been massive arms sales fueling China's military modernization and providing Russia one of its few major non-energy exports. This has included key hardware such as the Su-27 multi-role fighter plane, the Su-35 fighter jets, a dozen Kilo class submarines as well as six Lada class subs. More recently, Russia completed a \$3 billion sale of its advanced S-400 surface-to-air missile. Moscow envisions \$20 billion in arms sales by 2020. But increasingly, China has honed its reverse engineering skills and this will cut into future Russian exports. Russia may be facilitating the rise of a potentially competitive major military power.

China is also uncomfortable with Russian intervention in former Soviet republics where breakaway movements have been encouraged, as in eastern Ukraine. Beijing is obsessed with sovereignty issues. It has not been an enthusiastic supporter of Russian moves in Ukraine.

And as with some Trump-like American nationalists fearful of Latin influence, Russia is ill at ease with the Asianification of the Russian Far East. This has racial overtones as well. Moreover, many of China's territorial assertiveness in the East and South China Seas has been based on historical claims. China's Ming dynasty claimed much of the Russian Far East, before Moscow occupied it in the late 17th century.

Russia can only hope that the maritime disputes in the East and South China Seas pitting the United States and its allies against China will escalate, throwing Beijing into Moscow's arms. Beijing will see how much the United States respects China's maritime interests.

Do these trends mean that Sino-Russian amiability may not be as durable as some argue? Will historic fears and competition reassert itself? Is there an opportunity for the United States to recreate something closer to the Kissingerian strategic triangle?

Alternative Futures

We're at a crossroads – and increasingly dangerous one. For the first time since the end of the Cold War, competing visions of world order are developing. The growing Russo-Chinese cooperation has the potential to cement a non-Western animus, leading to a global split. In addition to the re-emergence of major powers such as China and India, a burgeoning strata of dynamic rising middle powers (particularly Brazil, Indonesia, Iran, Nigeria, South Africa, South Korea, Turkey) are already playing an increasingly important role in regional security and global rules-shaping. Many of these emerging states – democracies (liberal and illiberal) as well as authoritarian regimes – harbor resentments against the US- and Western- created and controlled global institutions whose governing structures are largely unchanged since 1947.

Today's world is a fragmented, messy, but not a classically multipolar one, in the sense of a world with relatively equal poles. The United States remains the sole military superpower, with a defense budget larger than the rest of the world combined. Yet – as evident in the outcomes of the wars in Iraq and Afghanistan – military force is often of limited use in solving regional problems. A stable, modernizing Middle East is not, for example, an outcome that the application of external military power can achieve. Solving global problems such as poverty, disease, or climate change may lie more in public-private partnerships than diplomatic arrangements among states or military action.

In this increasingly post-Western world, Western policies and norms that are viewed as threats to national sovereignty are being more broadly questioned. Thus, values-based issues such as democracy promotion and the Right to Protect (R2P) tend to spark strong counteraction from not just authoritarians like China but also many emerging democracies who worry about maintaining their national sovereignty. After the disastrous NATO intervention in Libya on ostensibly humanitarian grounds, neither Russia nor China are likely to approve any future ventures in the UN Security Council.

The lag between the diffusion of power in the international system and the distribution of power in the structure of multilateral institutions fosters resentment in countries with emerging economies, complicating efforts at global problem-solving. It is relatively easy for nations to block global actions, whether the Kyoto accord on climate change, the Doha global trade round, or UN efforts to forge a treaty to cut off production of fissile material. The growing trend of trying to fashion alternative institutions – from the Chiang Mai Initiative spurred by the 1997–98 Asian financial crisis² to China's Asian Infrastructure Investment Bank (AIIB) – increases the difficulty of forging international cooperation to address global problems.

Turning the clock back to a Western-centric – albeit more inclusive, integrated world order – seems increasingly remote. No one can foretell the future, but three possible new world orders are possible.

A New Cold War

In a repeat of Churchill's 1946 dictum: a new curtain descends across the world, dividing the world between US and its allies and partners and a loose coalition of China, Russia, Central Asians and other supporters. This would not be good for either side. Over time, China and Russia would lose its outlet to Western markets. The potential for outright conflict would rise and global cooperation needed for challenges like climate change and failed states would languish. In this scenario, we could see the Middle East rage out of control. Globalization itself would be tested and likely to revert to its historic cyclical patterns of bursts and busts. Robust global growth would stop and the emerging middle class in the global south would lose their grip and slide backwards into poverty.

² Tighter integration according to the formula "ASEAN plus three countries" China, Japan and South Korea – **editor's Note.**

Eurasia Leading the Way

A successful Russo-Chinese partnership would showcase the non-Western model of authoritarian state-centric capitalism. Over time, the Sino-Russian cooperation can extend to developing a new non-Western global architecture. Russia and China would make Shanghai Cooperation Organization into the premier Asian regional body, overshadowing the US-orchestrated TPP. A boosted partnership in the UN, Bretton Woods and WTO would make these institutions more attuned and responsive to non-Western goals.

In this scenario, US and China do not fully reconcile, but could create a framework for strategic stability to better manage competition. China's markets reforms would necessitate tempering tensions with the West. Similarly, the Russia economy will require the rollback of Western sanctions even as Russia sustains a greater level of focus on Asia. Over time, contradictions in Sino-Russian interests in Central Asia may put limits on regional cooperation.

A New Global Concert

A less likely but altogether better outcome for everyone would be establishment of new global concert. This would require US and China to move beyond current strategic competition and actually define a "new model of major power relations". Lowering tensions with the US and West could give China space to move forward with market reforms in an effort to avoid getting stuck in the middle income trap. Russia, while pursuing its interests in Asia, would opt eventually for moving closer towards Europe politically and economically in order to work out a modus vivendi with NATO. A German-led Europe would reciprocate with shaping a new inclusive security architecture that takes into account Russia interests in its neighborhood.

A threatening global context for the West as well as Russia and China could also be a trigger for more global cooperation. Possible triggers include a new level of hostilities in the Middle East. For example, if Iran doesn't live up to the terms of its recent agreement, a united international community may need to intervene to avoid the region devolving into a full scale conflict between Israel and Sunni powers against Iran and its allies. A possible nuclear exchange between India and Pakistan would be another trigger.

Such a "global concert" could be sustained with an inclusive process of arms control and nonproliferation, forcing all the nuclear states to work together. From this could result the remaking of existing global institutions: the G-20 would be beefed up and becomes the new UN Security Council. Asians are given a much bigger role in the Bretton Woods institutions. The peacekeeping force sent to implement peace agreements in the Middle East or South Asia would be an international effort. NATO, China's PLA, Indians, and Russians would command and coordinate the effort as a group.

Ball in the United States' Court

Whether the world moves towards a new, troublesome bipolarity or in the direction of a more inclusive, still globalizing international order will depend in no small degree to what role the United States plays in a complex landscape where power is diffused and no single nation can singularly shape international outcomes.

It will require more U.S. agility and pragmatic realism, abandoning unipolar tendencies and understanding that the world is increasingly multipolar. To be in the driver's seat, Washington must have good ties with all the players. It is too often assumed by the US foreign policy elite that Russia can be counted out. In a reversion to a bipolarity mentality, China is seen as the new peer competitor (replacing Russia), who is putting at risk a renewed US future in the Pacific. Only with China does the US need to maintain open channels of communications despite the mounting problems in the relationship. Globalization's lesson is that even less powerful states count in this more power diffused environment.

No other power has the US capacity of being at the center of a global network, should it so choose. China and Russia don't have the soft power of a United States that can draw in hundreds of thousands of international students each year to enroll at its top-rated universities. However, the US tendency to make pariahs out of countries doesn't work even for such a powerful country like the US. Instead, it has come back to bite Washington badly. Both Iran and North Korea opted to become nuclear powers because of their fear of regime change by Washington.

Finding a new equilibrium with Russia may require uncomfortable compromises. All the presidential campaigns are likely to outdo themselves in their rhetoric against both Russia and China, missing the opportunity to talk about how the US will need to grapple with a changing world order. We may wish we were back in 1971-1972, but Silicon Valley has yet to construct Jules Verne's time machine. Both the media's and various campaigns' inclinations to sweat small stuff is blinding us to the big strategic shifts. Yes, there's a new Great Game afoot, but the US is being seriously outplayed.

#Valdaiclub

 Valdai Club

 Valdai International
Discussion Club

www.valdaiclub.com

valdai@valdaiclub.com



Council on Foreign and Defense Policy



Russian International
Affairs Council



NATIONAL RESEARCH
UNIVERSITY