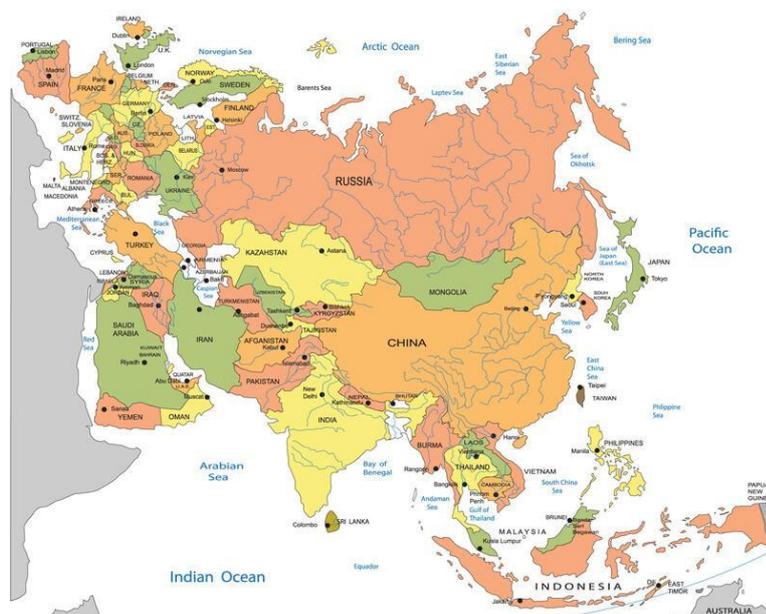


# Russia, China, & The European Peninsula

By Godfrey Roberts – The Saker

**Eurasia has most of the world's wealth, resources, and population — yet there is very low economic connectivity.** A Sino-Russian partnership can collectively create a gravitational pull that allows them to capture the geoeconomic levers of power by creating an alternative to the Western-centric model. This entails developing new global value chains that captures the high-value activities in strategic industries and energy markets, developing new transportation corridors through Eurasia and the Arctic, and constructing new financial instruments such as development banks, trade/reserve currencies, technical standards, and trade regimes. Russia's comparative advantage derives from its geographical expanse by developing an East-West corridor connecting Northeast Asia with Europe, and a North-South Corridor that links India, Iran and Russia. **Moscow sees itself as a stabilising factor in Eurasia by bringing together the entire continent with economic connectivity to ensure that it becomes multipolar and no one state or region can dominate.**

The EU stands to lose much from Russia's Greater Eurasia ambitions. Russia's original Greater Europe project, which the EU rejected, would have endowed the EU with a powerful ally to collectively project influence deep into the Eurasian continent. In contrast, **Russia's new Greater Eurasia initiative will marginalise the EU's role across Eurasia as socio-economic and political decisions will be made by BRICS, the Eurasian Economic Union, the Shanghai Cooperation Organisation, and the Belt and Road Initiative.** The EU is faced with a dilemma as it has strong economic incentives to cooperate with the development taking place in Greater Eurasia, yet this would contribute to the shift away from the Western-centric geo-economic infrastructure -. Glenn Diesen. *The Global Resurgence of Economic Nationalism.*



Halford Mackinder said we don't think of Asia and Europe as a single continent because sailors couldn't voyage around it. Today the Northeast Passage, NEP, along Russia's northern coast, links the Pacific and Atlantic coasts while a network of pipelines and air, rail, road and fiber routes are knitting Mackinder's World Island into 'Eurasia' despite [Kissinger's](#) warning, ***“Domination by a single power of either of Eurasia's two principal spheres—Europe or Asia—remains a good definition of strategic danger for America. For such a grouping would have the capacity to outstrip America economically and, in the end, militarily.”***

**See: *The Geographical Pivot of History*, Royal Geographical Society, 1904, Mackinder extended the scope of geopolitical analysis to the entire globe [1].**

As the West pursues an increasingly dystopian future, Russia and China are knitting Mackinder's World Island into a vast, increasingly prosperous community. Their vision is so seductive, their alliance so strong, their weapons so advanced and their pockets so deep that their momentum is almost unstoppable. Russia's leaders—Putin, Lavrov, Nabiullina, Siluanov and Shoygu—is the best in the country's history and, as President [Trump](#) observed, China's matches it, “People say you don't like China. No, I love them. But their leaders are much smarter than our leaders. It's like taking the New England Patriots and Tom Brady and having them play your high school football team.” **President Xi has [visited](#) Moscow more than any other capital city and as of August 2019, he and his Russian counterpart Vladimir Putin had met thirty times and Xi [gave](#) Putin China's first-ever friendship medal, calling him “my best, most intimate friend.”** Here are Eurasia's current trade, security, and cooperation blocs. After the June, 2019 Conference on Interaction and Confidence-Building Measures in Asia (CICA) in Dushanbe, Tajikistan, Putin stressed that all of them should be integrated.

**Colonial nations lost their political and economic freedom because imperial centers of capital needed to control resources crucial for their survival, wealth, and power.** This is the real meaning of the terms 'national security' and 'national interest.' Powerful nations' 'national security' is the control of an economic empire of subject states and the strategies through which this is carried out are 'national security secrets.' They practice the antithesis of what they preach. Their trumpeting of peace, freedom, justice, rights, democracy, and majority rule disguises those strategies for controlling other people and their resources be kept secret. The most pernicious is that multi-party democracy and a free press and must precede successful development. In fact, such a combination ends all hope of development. No nation has ever developed under multiparty democracy nor, as Lee Kwan Yew observed, with a free press:

***The Philippines press enjoys all the freedoms of the US system but fails the people: a wildly partisan press helped Philippines politicians flood the marketplace of ideas with junk and confuse and befuddle the people so that they could not see what their vital interests were in a developing country. And, because vital issues like economic growth and equitable***

**distribution were seldom discussed, they were never tackled and the democratic system malfunctioned. Look at Taiwan and South Korea: their free press runs rampant and corruption runs riot. The critic itself is corrupt yet the theory is, if you have a free press, corruption disappears. Now I'm telling you, that's not true. Freedom of the press, freedom of news critics, must be subordinated to the overriding needs of the integrity of Singapore and to the primacy of purpose of an elected government.**

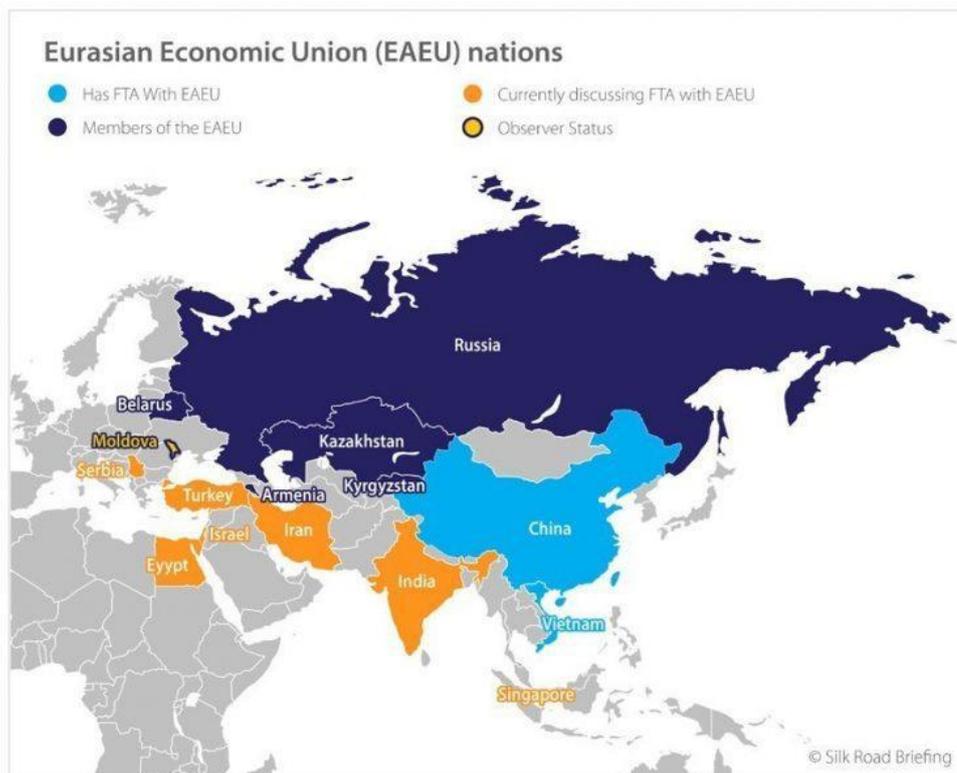
Russia and China offer an alternative to the imperialist model: security without coercion, aid without conditions and, instead of the WTO's agreements that prevent sustainable development, trade and development pacts to promote it.

**The blocs in play** are the European Union; The Eurasian Economic Union; The Shanghai Cooperative Organization; The Association of Southeast Asian Nations; The Regional Comprehensive Economic Partnership; The Belt and Road Initiative. Note that all but one of these are Russo-Chinese. Let's look at them in more detail.



**The European Union**, occupying Eurasia's Western peninsula, is tired of the *status quo*. President [Macron](#) said, "We are undoubtedly experiencing the end of Western hegemony over the world... Things change, and they have been

deeply shaken by the mistakes of Westerners in certain crises, by the choices that have been made by Americans for several years..And then there is the emergence of new powers whose impact we have probably underestimated for a long time. China is at the forefront, but also the Russian strategy, which has, it must be said, been pursued more successfully in recent years...They think about our planet with a true logic, a true philosophy, an imagination that we've lost a little bit." [Saker's Translation]. Mark Carney, Governor of the Bank of England added, "The world's reliance on the US dollar won't hold' and needs to be replaced by a new international monetary and financial system... It is worth considering how an SHC [synthetic hegemonic currency] in the IMF could support better global outcomes." [6] Germany is completing Nord Stream II and installing Huawei despite US threats, and Hungary, Greece, and Italy are turning east. One more downturn in the US economy (where manufacturing is already in recession) and the rest of the EU will follow. Turkey's President Erdogan, on NATO's Eastern flank, said he bought Russia's S-400 so Turkey could safely withdraw from NATO: his country is already a dialog partner in the world's largest security association, the SCO.



**The Shanghai Cooperative Organization, SCO.** Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, India, China, and Pakistan; with Afghanistan, Iran, Mongolia and Belarus as observers and Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka and Turkey as dialogue partners.



The SCO is the world's largest security organization and counts four nuclear powers among its members. Its objectives are to (i) strengthen relations among member states; (ii) promote cooperation in political affairs, economics and trade, scientific-technical, cultural, and educational spheres and in energy, transportation, tourism, and environmental protection; (iv) safeguard regional peace, security, and stability; and (v) create a democratic, equitable international political and economic order. SCO members have completed an intergovernmental agreement facilitating international road transport and are finalizing one on rail transport. The Bishkek Declaration, adopted by SCO members, emphasizes the security guarantees of the Central Asian Nuclear-Weapons-Free Zone Treaty, the 'unacceptability of attempts to ensure one country's security at the expense of other countries' security,' and condemns 'the unilateral and unlimited buildup of missile defense systems by certain countries or groups of states.' Iranian President Hassan Rouhani, speaking to Presidents Putin, Xi, Modi and Imran Khan, blasted the US as 'a serious risk to stability in the region and the world' and offered preferential treatment for all fellow SCO nations, companies, and entrepreneurs to invest in Iran's market. Xi responded that Beijing will keep developing ties with Tehran 'no matter how the situation changes.'

**ASEAN.** Established in 1967, the Association of Southeast Asian Nations—Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam—agreed to accelerate their region's economic growth, social progress and cultural development through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community and to promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations Charter. Russia and China are strategic ASEAN

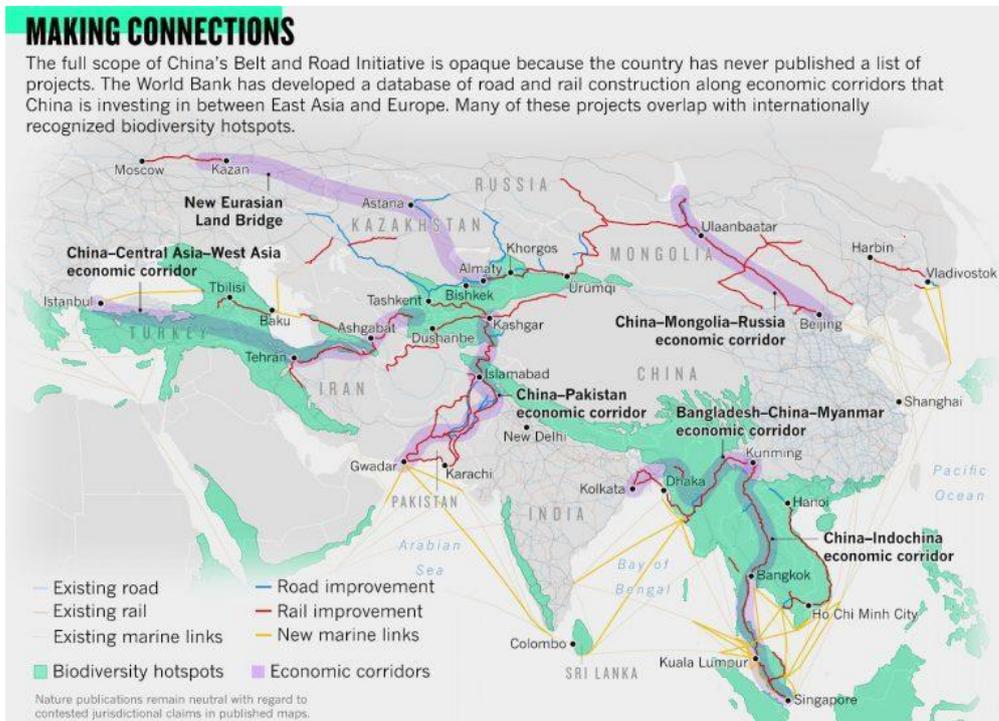
partners but, though ASEAN had a much longer dialog partnerships with the Western countries like America and the EU, none of them proposed a free trade agreement for ASEAN. China did so in 1988 and then concluded the ASEAN-China FTA in record time with the result that total trade between ASEAN and China, \$8 billion in 1991, grew to \$600 billion in 2018 with a goal of \$1 trillion by 2024.

**The Regional Comprehensive Economic Partnership**, (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam, China, Japan, India, South Korea, Australia and New Zealand). The world's largest trade bloc, the RCEP accounts for half the world's economy and, in contrast to the WTO, is biased in favour of developing nations and excludes investor-state dispute settlement (ISDS) mechanisms that advantage private corporations over states.



**The Belt and Road Initiative**. Scheduled to launch on June 1, 2021, the BRI integrates four billion people in one-hundred thirty countries across Eurasia, Africa, Latin America and the South Pacific. BRI focuses on policy coordination, infrastructure connectivity, unimpeded trade, financial integration and people-to-people ties. It is building power plants in Pakistan, train lines in Hungary and ports from Africa to Greece, replacing Western institutions, refashioning the global economic order, forging new ties, creating new markets, deepening

economic connections and strengthening diplomatic bonds. Iran is a key BRI node and Tehran sees it as the way to full integration into the Eurasian economic ecosystem. Cargo transiting from all over India via the International North-South Transport Corridor, INSTC, to the Iranian port of Bandar Abbas reduces shipping costs to Europe by forty percent. The INSTC will soon merge with BRI's global transport network.



The BRI's Eurasian Land Bridge exemplifies its cooperative model. Added value production—like assembling component parts from different origins—can be conducted tax free in its border Free Trade Zones, where wages are one-fifth of China's. This allows for the addition of lower cost labor, depending upon the location, to be factored into the overall production cost rather than being exposed to one salary band in just one country. Goods entering these FTZs are considered to be outside customs borders, so attract no customs duty or VAT, and companies operating within them are exempt from all taxes. The nodes: Huoergousi Export Processing Zone (China-Kazakhstan Border); Khorgos Eastern Gate Special Economic Zone (Kazakhstan); Aktau Special Economic Zone (Kazakhstan); Alat Free Trade Zone (Azerbaijan); Poti Free Industrial Zone (Georgia); Hualing-Kutaisi Free Industrial Zone (Georgia). Turkey's East Anatolia Free Trade Zone is the most interesting, since Turkey's Custom Union with the EU admits Turkish origin goods free of tax. Over 6,300 trains made the journey last year, one every ninety minutes. Trans-Eurasia transit time has fallen from three weeks to two, and should be ten days by 2024. Ultimately, Russia aims to connect China's northern provinces with Eurasia via the:

## Free Trade Zones Linking China, Russia & The Eurasian Economic Union



Graphic © Asia Briefing Ltd.

The Trans-Siberian and the Chinese Eastern Railway—with Chita in China and Khabarovsk in Russia, are already totally interconnected. Across the spectrum, Moscow aims at maximizing return on the crown jewels of Russia's Far East; agriculture, water resources, minerals, lumber, oil and gas. Construction of liquefied natural gas (LNG) plants in Yamal vastly benefits China, Japan and South Korea. The same applies to gateway Vladivostok, Eurasia's entry point for both South Korea and Japan, as well as Russia's entry point to Northeast Asia. Kazakhstan shows how Greater Eurasia and BRI are complementary: Astana is a member of both the BRI and the EAEU.

## TOOLS OF THE TRADE

**The Polar Silk Road** sea route is five-thousand miles shorter than the Suez route that runs mostly in Russia's coastal waters. In 2010 the first cargo ship sailed the entire route without icebreaker assistance and in 2017 the *Christophe de Margerie* became the first ever ice-breaking LNG carrier to transport LNG from the Yamal peninsula through the Bering Strait and south to Japan and China. Russia's [Sovcomflot](#) and Novatek signed an agreement with China's Cosco Shipping and the Silk Road Fund to establish a Maritime Arctic Transport joint venture to manage an ice-breaking tanker fleet in the transportation of LNG for current and planned Novatek projects including Yamal LNG, Arctic LNG 2 and others.

**Pipelineistan.** The IEA [calculates](#) that oil will remain the world's dominant source of energy in 2040, accounting for one-fourth of global energy consumption. Russia accounts for fifteen percent of the world's energy reserves and the Persian Gulf region for 65%. Russian and Chinese-built pipelines are distributing this energy wealth across the continent resurrecting the [South Stream](#) gas pipeline to supply Europe as an extension of [TurkStream](#) after the

Trump administration also furiously opposed the [Nord Stream 2](#). Russian gas will start flowing to Turkey via TurkStream this year and Russia and Bulgaria have begun work on the Balkan Stream Pipeline to carry gas to the southern EU.

**The Global Electric Interconnect.** Beijing launched GEIDCO in 2016, an ultra-high voltage grid that will transmit clean energy around the globe continually, following the sun. GEIDCO has seven regional offices, forty global offices, six-hundred regional and national members and has invested \$1.6 trillion in eighty generation and transmission projects across Eurasia, Latin America, Africa, Europe and North America.

**The Digital Silk Road.** The DSR is strengthening internet infrastructure, deepening space cooperation, developing common technology standards, and improving the efficiency of policing systems among Belt and Road countries. It gathers space-based remote sensing data for multiple projects along the BRI and China is promoting BeiDou-2, its global satellite navigation system as an alternative to America's GPS. Pakistan, Laos, Brunei, and Thailand have already adopted BeiDou. Construction has begun on the Pakistan East Africa Cable Express, connecting Pakistan to Kenya and Djibouti. In 2012, under one percent of Myanmar's population had broadband access but the country expects to launch 5G broadband service by 2025, leapfrogging even Singapore.

**Russia and China's Electronic Funds Silk Road** will Replace the US-dominated SWIFT network.

**The Silk Road International Bank** AIIB guarantees a trillion dollars annually in long-term, low interest loans for regional infrastructure, poverty reduction, growth and climate change mitigation and allows Eurasia's four billion savers to mobilize local savings that previously had few safe or creative outlets. Nothing could be more sensible for the new Pipelineistan deal than to have it settled in yuan. Beijing would pay Gazprom in that currency (convertible into rubles); Gazprom would accumulate the yuan; and Russia would then buy myriad made-in-China goods and services in yuan convertible into rubles. The merger of Russia's Mir payment system and China's Union Pay appears inevitable because their bilateral trade is growing by an astonishing half a billion dollars a month and Beijing's fully convertible digital yuan may debut as soon as this year, adding to the fun.

**Invulnerability to attack.** In the past eighteen months, Russia and China have demonstrated their ability to defend themselves against any attack and, in turn, to destroy every city in the United States inside forty-five minutes. They now operate from a position of strength, particularly in Eurasia.

## **HEGEMONY AND HUMANITARIAN LEADERSHIP.**

According to Chinese philosopher Xunzi, there were three types of leadership: **humane authority, hegemony and tyranny.** Humane authority begins by creating a desirable model at home that inspires people abroad. Xunzi, proposed that, though hegemony knows how to win wars, "The ruler who makes

his own state act correctly will attain international primacy.” The domestic determines the international and, since humane authority based on morality rather than power, is superior to hegemony it is more important to win over people than territory. States wishing to exercise humane authority must be the first to respect the norms they advocate and leaders of high ethical reputation and great administrative ability will attract other states. “To be compassionate in great matters and overlook the small makes one fit to become lord of the covenants. Loving friends, being friendly with the great, rewarding your allies and punishing those who oppose you, the lord of the covenants has a definite duty and his moral standing should match it.” Presiding over the meetings of other states grants international recognition of humane authority. Two centuries later, Confucius summarized Xunzi thus, “Moral superiors and inferiors relate to each other like wind and grass: grass must bend when the wind blows over it”.

***A warming, moral wind is blowing across Eurasia and the pieces are coming together.***

### **Footnotes:**

[1] Hegemonic Stability Theory: An Empirical Assessment. Michael C. Webb and Stephen D. Krasner. *Review of International Studies*. Vol. 15, No. 2, Special Issue on the Balance of Power (Apr., 1989), pp. 183-198. Cambridge University Press

[2] *Ancient Chinese Thought, Modern Chinese Power*. By Yan Xuetong

[3] “Strengthen Party Unity and Carry Forward Party Traditions” (1956) China’s economy overtook America’s fifty-eight years later.

[4] Build a Harmonious World of Lasting Peace and Common Prosperity. Speech by Hu Jintao at the UN Summit, New York, September 15, 2005

[5] Wang Yi, ‘Exploring the Path of Major-Country Diplomacy with Chinese Characteristics’, *Foreign Affairs Journal*, No. 10 (2013), p. 14.

[6] The closest look yet at Chinese economic engagement in Africa, By Kartik Jayaram, Omid Kassiri, and Irene Yuan Sun. June 2017. McKinsey.

[7] All Roads Lead to China, by Ehsan Masood. *Nature*, 2 May 2019. Vol 569

[8] China launches \$11 billion fund for Central, Eastern Europe. Reuters, November 6, 2016

[9] Behind China’s \$1 Trillion Plan to Shake Up the Economic Order. By Jane Perlez and Yufan Huang. *New York Times*, May

