

SINO-RUSSIAN PARTNERSHIP

Foes Turning Friends

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RUSSIA AND CHINA ARE IN A chorus after their recent Libya experience. The old foes turned friends are moving toward, as Chinese president Hu Jintao said, a "comprehensive strategic relationship." Putin, the Russian leader, found no problem "in the political and humanitarian fields at all."

Putin is not happy with the US. The former KGB boss with the dream of a new empire tried to make a sweeping stroke at US monetary policy, but the Empire. Was that a tactical restrain? To him, dollar's dominance is parasitic. "The US is not a parasite for the world economy, but the US dollar's monopoly is a parasite", Putin said in an interview with Chinese state media.

Almost at the same time, as an initial response to the Currency Exchange Rate Oversight Act that the US Senate passed, and that till now verbally threatens to punish China for undervaluing its currency, China condemned the US.

The condemnation, essentially a political reaction, shows that China now stands for free trade, stands for WTO, an essential arrangement for almost global capital. Capital in its voyages to expansion required "free" trade. A Chinese foreign ministry spokesperson said: The bill is essentially trade protectionism, a serious violation of WTO rules. The Chinese commerce ministry and the People's Bank of China had no reason to react differently. With a \$273bn trade surplus with the US in 2010 China warned of triggering a trade war. Beijing will retaliate in case the bill turns into a law by taxing US multinationals in China.

China, however, still prefers to avoid confrontation with the US. The Chinese leadership's choice is a win-win situation. The capital there, not entirely Chinese, still needs time and space. The Chinese, the former Mao followers, now, like to depoliticize economy. The Chinese foreign ministry spokesperson said: "We should [...] resist politicization of economic and trade issues, and safeguard the healthy development of Sino-US relations." A dream indeed! Economic culture in modern world is fully politicized.

Led by conservatives and Democratic liberals the US bill with thin possibility of turning into a law is actually a political tact, targeting own electorate, on the part of a section of the US capital. Another section dislikes even the tact. Echoing the section, Economics professor at Long Island University Panos Mourdoukoutas wrote in *Forbes*: Major US multinationals with a large presence in China will be particularly vulnerable.

Many multinational companies oppose the US legislative initiative, which is still now a political posture. John Boehner, the House Speaker, also dislikes the legislation. To him, the

legislative action is like dictating another country. He apprehends that dictating another country's currency policies would be dangerous. House Republican leaders agree with many business groups that action against China could result in a trade war. The Obama government prefers diplomacy instead of the legislation that might violate international trade rules. Critics warn that it will provoke Chinese retaliation and hurt Americans in one of their fastest-growing markets.

Capital in the US is in a multidimensional problem with itself. It is failing to create jobs at home. But the jobless rate is a threat to its politics. It cannot hurt its domestic part. It has to make the part competitive. It cannot also hurt its other part operating from the soil of China using cheap China labor. That part, not totally "communist" capital, has to be kept profitable. That part needs the US market. Even, cheaper commodities from "friendly" capitals will enter the US market and engage into competition if Chinese commodities are pushed away with the power of legislation. Market is really difficult! "Free" market is much more! Profit reigns there. This compels capital to dictate market for making market "free". It is capital's dictatorship, not even capital's democracy. It is dictatorship of a free, democratic capital.

This Sino-US trade tension provided a partial background to Putin's China visit, an annual diplomatic ritual. The diplomatic act commemorated the 10th anniversary of Russia-China treaty of "Good-Neighborliness, Friendship and Cooperation".

China-Russia strategic partnership is passing a decade and a half. Now, China, as premier Wen Jiabao told reporters after meeting Putin, wanted to strengthen the strategic partnership into a comprehensive strategic partnership. The process was initiated months ago. In June 2011, Hu and Medvedev, the Russian president, confirmed the strategic goal while the Chinese president was visiting Russia: comprehensive strategic partnership.

Putin has an imperial target in view —Eurasian Union—that he unveiled in an article in *Izvestia*, the Moscow daily, about a week ago. His dreamed Eurasian Union, a counterweight to the EU and the US, will be a confederation of former Soviet republics. He has proposed for "creating a powerful supra-national union capable of becoming a pole in the modern world, and at the same time an effective bridge between Europe and the dynamic Asia-Pacific Region".

Russia's learning with the EU and NATO close-ship is not a happy one. NATO troops are training at the Russian border, in Georgia. It's NATO's first military training center in the Caucasus. With a vigorous posture France is trying to take an active role in the area. Ukraine and Georgia are moving closer to NATO. A chain of NATO missile defense systems stretches along the Russian border, from Turkey through Romania and Poland to Norway. The US and Romania signed an agreement on deployment of US missile defense system by 2015 at a Romanian Air Force Base. A few hundred US military personnel will be stationed there also. A few elements of EUROPRO system will be installed in Turkey. Everything indicates that the US military machine and NATO are encircling Russia.

The East appears brighter to Russia. The country likes to build a pipeline through North Korea to South Korea.

Russia, the world's largest energy producer, and China, the world's top energy consumer, are expanding cooperation in areas of energy and military technology. The former rivals, and now occasional partners in diplomacy, have already resolved their boundary conflict. They have held a number of joint military exercises over the years. They are in BRICS and the SCO, emerging counterweights to NATO.

Replacing Germany China became Russia's top trading partner in 2010 with commercial turnover of \$59 bn. This year, it may exceed \$70 bn. The partners want to increase trade to \$100 bn by 2015 and to \$200 bn in 2020. Immediately before Putin's arrival in China the two countries made 16 economic and trade deals worth over \$7 bn that include China's investment of \$1.5 bn in a Siberian aluminum smelter and \$1 bn into a joint investment fund.

Russia wants more Chinese investment. The energy giant began supplying oil to China through the 1,000 km Skovorodino-Daqing pipeline on January 1, 2011 boosting China's energy security and entering a reliable energy market.

These deals, partnership, will impact regions. Russia and China will not be lone actors in these regions. Ruling elites in the region have varying types of relations with geopolitical giants. South Asia will not be a far away idyllic place.

Army General Nikolay Makarov, Russia's chief of general staff, a few weeks ago said: Russia's military must be ready to the worst possible scenarios as the political situation in the world is taking complicated and unexpected turns. At a Moscow press conference Makarov said: The world situation especially in North Africa and the Middle East is constantly changing. "What happened in these regions was difficult to predict and the events developed at a tremendous speed. No one can tell now what will happen there. However, this is a signal for all states. We, the military, must be ready for the worst scenarios", said the Russian general.

Pawns and lackeys in the Third and Fourth Worlds will, if tricky enough, find opportunities to have a better prize from masters in this increasing rivalry. Faction(s) of ruling classes in these societies will enter into deals with the geopolitical actors. A few of them may have scope, at least temporarily, to withstand masters' pressures. In turn, masters will find out trusted lackeys to replace disobedient friends. Lackeys will appear on stage with masks of civility, democracy, poverty alleviation, etc. only to ensure masters' interests. Political strife and upheaval in some of these societies is in the waiting. Countries in south-east and south Asia are vulnerable to this changing balance of power.

Gradually increasing competition for market and source of raw materials leading to rivalry will influence democratic movement in Third and Fourth World societies. Identifying friend and foe in democratic struggle, struggle for building up a peaceful, happy life, will turn into a

complex job. An informed and aware people make the task easy that can also thwart design to install new pawn. □□□