

Global Geopolitics and the Russia-China “Gas Deal of The Century”

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Russian energy giant Gazprom’s 30 year, 400 billion dollar gas deal with China is set to impact global geopolitics in many profound ways. To understand the future impact of the deal, it is important first to understand the geopolitical conditions that face both Russia and China today that helped seal it.

The Russian Imperative

For Russia, diversifying its markets away from the European Union is of vital importance. Persistent economic decline is effecting demand, while special interests within the EU have become increasing belligerent toward Russia as the supranational conglomerate seeks to expand into Russia’s traditional spheres of influence. The EU and NATO’s insistence on continued eastward expansion, “integrating” nations along Russia’ peripheries, is now clearly aimed at the encirclement of Russia proper. The current crisis in Ukraine, and the brief conflict of 2008 on the Russian-Georgian border are both direct results of this expansion. US and EU sanctions aimed at Russia, and Russia’s response by leveraging the EU’s dependence on its natural gas have reminded both of this vulnerable interdependencies.

For Russia, it will be difficult to find another market in which to sell the 160 billion cubic meters of natural gas it exported to Europe last year. The new deal with China is expected to begin at 38 billion cubic meters of gas per year, or about a quarter of what it exports to Europe. Additional pipelines are in the works, and the amount of gas routed to China can surely be expanded to meet future demand.

While the new deal will not be a substitute for European markets, the ability for Russia to shut off 40 billion cubic meters of gas to the EU may become a persuasive bargaining chip, [one US shale gas will be unable to compensate for well into the foreseeable future, if ever.](#)

The new deal will take effect in 2018, so may not immediately compensate for US-EU sanctions leveled against Russia in the latest Ukraine row. However, many of these sanctions have had either disappointing effects, or have all together failed to bite. [Sanctions aimed at Russia’s aerospace industry for instance, fell flat](#), both because Russia is indispensable to the United States (its astronauts entirely depend on Russian launch systems) and Western alternatives are years from implementation. By the time these sanctions do begin to bite, Russian gas will be flowing into China, and Chinese capital will be flowing into Russia’s economy.

The Chinese Imperative

For China, its immense population has likewise immense energy requirements. As the world's largest oil importer, its sources in the Middle East and North Africa (MENA) require a long and vulnerable logistical line known to many geopolitical analysts and policy planners as China's String of Pearls. The United States, in a bid to reassert itself in the Pacific and maintain both regional and global hegemony, has committed to years of disrupting China's oil lifeline and in theory, strangle China's growth. The US has sown chaos across MENA and attempted to carve off the entire Pakistani province of Baluchistan. This is an attempt to disrupt China's plans to establish a port in Gwadar to receive Middle Eastern oil, and a pipeline across Pakistani territory into China to deliver it to Chinese markets. Similar meddling is taking place in Myanmar to disrupt a Chinese port and planned pipeline in Rakhine state.

While coal accounts for most of China's energy production, with oil coming in second, China is planning to replace these and other hydrocarbon sources with natural gas in the near future. When Russian gas begins flowing into China, not only will it allow for the expansion of markets where it is currently being used, but will enable China to begin reducing its dependency on oil via its long, vulnerable logistical lines from MENA, and coal it is now beginning to import in greater quantities from Australia.

The Net Impact

Beginning in 2018, Russia will have an alternative market in China for its natural gas that will grow steadily and perhaps even eclipse its current markets in Europe. This will allow Russia to better counter attempts by the EU and NATO to expand into its traditional spheres of influence, and prevent the geopolitical encirclement of its territory by the West. With Russia's pipelines in the east running through relatively stable regions of its territory directly into China, vulnerabilities such as US-backed terrorism (as is present in Russia's Caucasus region) and US-EU destabilization in countries through which Russian gas must move through in the west, will be nonexistent, providing a stable and reliable source of economic growth for decades to come.

China likewise will benefit from the proximity within which Russian gas will be delivered. US-backed separatists in China's western provinces, and attempts to destabilize nations in which China's logistical infrastructure must be located to ensure the steady flow of oil to its markets will have no effect on this new and expanding source of energy.

The net impact is the circumvention of decades of geopolitical maneuvering, alliances, and conflicts the US, UK, and EU have bled themselves dry in terms of resources and political legitimacy arraying against Russia and China. Through a direct energy partnership that will pave the way for future expansion, both Russia and China are hedging risks they face due to a dependency on both direct dealings with the West, and in regions the West is able to project military, economic, and political influence upon.

In the short-term, the significance of the deal will be primarily political, rendering US-EU sanctions leveled against Russia that will take years to bite, virtually moot and thus meaningless amid the current crisis in Ukraine. EU member states will begin entering Russia's impending leverage into their calculus when considering how much support politically and materially to lend Washington, London, and Brussels in their support of pro-Western Kiev.

For China, the deal will confound America’s current “pivot to Asia” strategy of encircling and containing China, as Beijing opens up energy corridors immune to Washington’s meddling.

Finally, Russia and China’s constructive energy partnership, concluded without territorial, economic, or legal integration, will lend further credibility toward a future multipolar global order, while simultaneously exposing the shortcomings, even follies, of the West’s unipolar system of pursuing hegemony through costly and ultimately unsustainable global integration.

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