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**GLOBAL CHALLENGE:
WILL A SINO-RUSSIAN ALLIANCE CHALLENGE US UNIPOLARITY?**

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Abstract

In 1996, China and Russia formed a 'strategic partnership', easing years of distrust and resolving several long-standing disputes. In the past decade, Sino-Russian relations have continued to grow closer on several fronts signaling a potential alliance to counter-balance the present unipolar world order. China and Russia interact regularly on issues of trade and commerce, arms equipment and technology transfers, infrastructure development, cultural and social exchanges and diplomatic cooperation. They are also key member states in the six-party Shanghai Cooperation Organization (SCO) which discusses issues of regional security, the rise of radical fundamentalism and terrorism, and matters related to regional economic growth. Perhaps the most striking interaction between China and Russia has been the division-sized combined joint military exercise conducted in August 2005. Dubbed Peace Mission 2005, the exercise was an arms exhibition and a symbolic show of force aimed at stemming United States (US) influence in the Pacific Rim and Central Asia regions and disparaging US global hegemonism. By combining collective powers, China and Russia hope to better assert themselves geopolitically and garner increased leverage to achieve foreign policy goals. Although the two nations see a convergence of interests in areas of convenience, there are still several matters where close cooperation remains difficult. It is for reasons of divergence in other sectors, individual economic dependence on the US, and long-term foreign policy goals that China and Russia will be unable to form a strategic alliance to challenge US unipolarity.

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Introduction

The fact that the United States (US) dominates globally should not come as a shock to anyone. It has done so since the collapse of the Soviet Union and, with the assistance of the West, arguably won the Cold War. In the past fifteen years, the US has remained unchallenged in almost every facet of national power; however, a recent joint Sino-Russian military exercise has heightened concern regarding the potential of an alliance large enough (population/militarily) to confront US unipolarity. Although the two nations have experienced turbulent relations for many years, the past decade has witnessed a strengthening and more cooperative relationship between the once warring countries. This apparently united bloc may signal new and emerging Central Asian and Pacific Rim regional dynamics aimed at challenging the present world order. At this juncture, indicators suggesting shortfalls in terms of economies, defence technology and spending, domestic policy, and dissident nationalism imply that such an alliance is unlikely to compete with US unipolarity. However, trends of rapid economic growth, increasing global participation and regional influence, military modernization and transformation, and joint statements condemning US foreign policy may provide markers of a future return to a multipolar world.

In order to assess the potential of a Sino-Russian alliance forming to counter US hegemony, this paper will provide an overview of present day international background to frame the geopolitical and geostrategic landscape and give a perspective on where China and Russia rank relative to the US. This assessment is followed by three main chapters, namely: Domestic Wealth, International Relations, and Defence and Security Issues. Each chapter is sub-divided by two distinct but related sub-components, specifically: economy and resource wealth; globalization and foreign policy; and military and dissident nationalism. Each sub-

chapter will provide comparisons, linkages, or separations between Chinese and Russian capacities and capabilities, associations and affairs, and strategic goals followed by an analysis of the likelihood and/or feasibility of the formation of an alliance to challenge US hegemony. The final fourth chapter, Alliance Prospects, frames the issues drawing China and Russia together and provides an overall analysis and determination of the likelihood of a Sino-Russian alliance forming to rival US unipolarity and force the return of a multipolar world order.

Based on the findings from the analysis of Chinese and Russian national situations and developing international relations framed within the essential national power categories, it is assessed that there is little prospect of a strategic Sino-Russian alliance forming to challenge US unilateralism.

International Background

More than fifteen years have passed since the November 1989 fall of the Berlin Wall followed by the December 1991 collapse of the Soviet Union. In the proceeding years, foreign relations, global dynamics and the world order have changed significantly. In the aftermath of those tumultuous events, the United States (US) emerged unchallenged in the four categories of national power, namely: economic, political, information and military power. Consequently, the international community was without a single nation state powerful enough to counter-balance US might as was prevalent during the Cold War era.

With US domination of international affairs there are now four fundamental categories of world powers. The US sits alone as a superpower or hyperpower¹, creating what is commonly referred to as a unipolar geopolitical state. On the other hand, great powers or global powers are those states that possess some capability to project power, have economic wealth combined with significant populations and are diplomatically engaged on the international stage.² Both China and Russia are considered to be on the lower end of the scale of this elite group of nations.

The third international power is commonly referred to as middle power. These nations have reasonable military capabilities, a comfortable economic situation and tend to

¹ Brooks, Stephen G. and William C. Wohlforth. "*Foreign Affairs – July/August 2002*". <http://www.foreignaffairs.org/20020701faessay8517/stephen-g-brooks-william-c-wohlforth/american-primacy-in-perspective.html>. Internet accessed 8 November 2005. Shortly following the collapse of the Soviet Union, Charles Krauthammer defined it as a "unipolar moment," a period in which one superpower, the United States, stood clearly above the rest of the international community ("The Unipolar Moment," *America and the World* 1990/91).

² Wikipedia, The Free Encyclopaedia. "*Power (International)*". http://en.wikipedia.org/wiki/Great_power. Internet accessed 22 October 2005. The Great Powers are usually taken to be those nations or political entities that, through their great economic and military strength, are the arbiters of world diplomacy, and whose opinions must be taken into account by other nations before effecting initiatives. Characteristically, they have the ability to intervene militarily almost anywhere, and they also have soft, cultural power, often in the form of economic investment in less developed portions of the world.

interact diplomatically, often through international forums.³ Countries falling into this category frequently find themselves split into two basic groups: those that ally with and whom support US foreign policy initiatives, and those that reject various lines of relationship based on economic, ideological, or moral reasons. Countries outright rejecting all US foreign policy initiatives tend to interact together believing it necessary to bond in kind to provide a collective and necessary counter-balance to US hegemony. The overall effect of their combined diplomatic front has not been obviously visible, at least not within the last half decade.

The fourth category of national power includes those nations lacking projectable power, have poor economies and little diplomatic power. This category normally consists of Third World nations. Frequently, these nations suffer domestic unrest and tend to foster radical patterns of behaviour caused by globalization, religious fundamentalism and opposition to US world hegemony. Often, the product of these countries is terrorism, narcotics or other criminal activity.

Such concerns directly affect US national interests and security and shape US foreign policy. Over the past fifteen years the US has used its international power to attempt to bring about improved global security. In some cases the US has been prepared to act unilaterally to solve matters its assessed as threatening its foreign policy objectives. This was evident during the 1999 NATO war in Kosovo, and again in 2003, when the US and a small 'coalition of the willing' invaded Iraq without a United Nations Security Council (UNSC)

³ Ibid., http://en.wikipedia.org/wiki/Middle_power. Middle power is a term used in the field of international relations to describe states that are not superpowers or great powers, but still have some influence internationally. Some middle powers can be regarded as regional powers and vice versa; hence, the two terms are sometimes used interchangeably, though their definitions are not strictly the same. Middle powers are characterized by allegiance to groups, but not leadership of them. Middle powers are often the states most committed to multilateralism.

mandate authorizing the use of force. There were several UNSC member states who took exception to what was considered an unsanctioned attack of a sovereign state. Russia and China have been two nations who vociferously oppose US hegemony and have widened their argument suggesting that the US clearly abuses its superpower status. This common thought has created a dramatic shift in Sino-Russian relations.

Bilateral affairs between China and Russia have transformed significantly over the past decade, moving from a 'constructive partnership' in 1994 to a 'strategic partnership' in 1996.⁴ This relationship, largely intended for unilateral and bilateral benefits also aims to offset or counter-balance US global dominance. Besides the fact that they share 4,300 kilometres of common border,⁵ the neighbours have not always maintained amiable relations. Although the two states have similar concerns regarding US domination, their national interests differ widely. China fears US domination in the East Asia/Pacific Rim region with particular concern for US support of Taiwan, while Russia, still nursing bruised pride following its fall from grace, is largely concerned with US hegemony and the spreading democratic influence throughout the Caucasus region which is commonly referred to as the 'colour revolution' because of the colours selected as a democratic opposition rally points. Singularly, each nation has national shortcomings which affect its ability to competently compete in any of the four dominant power categories. Although China's economy has strengthened impressively over the last 25 years, impacting positively across all national power classes, it lacks the necessary influence to compete unilaterally, while Russia's instability and weak economy have hindered its growth and development on all fronts.

⁴ Levine, Steven, Alexi D. Voskressenski and Jeanne L. Wilson. "*Sino-Russian Strategic Partnership: A Threat to American Interests?*" Woodrow Wilson International Center for Scholars: Asia Program September 2001. http://wwics.si.edu/topics/pubs/asiarpt_099.pdf. Internet accessed 8 November 2005. p. 14.

⁵ CIA "*The World Factbook – China*". <http://www.cia.gov/cia/publications/factbook/geos/ch.html>. Internet accessed 19 February 2006. p. 2.

While neither country has taken a belligerent stance towards the US, there are clear indicators of dissatisfaction with the evolving and dominating US role in international affairs. What China and Russia find troublesome is the seeming US ambivalence to globally accepted, authoritative diplomatic organizations. China and Russia believe that the US chooses to ignore unfavourable diplomatic situations and disregards the internationally recognized rule of law of the UN. This discontent is further exacerbated by the omnipresent US influence in the Middle East, Pacific Rim and areas considered as newly expanding Eastern Europe. This mutual concern appears to have fostered the seed for improved relations between the once distant nations, so much so that they have taken dramatic steps to solve hindering border disputes, establish regional organizations to discuss issues of trade, technology transfers, and security and have gone so far as to issue a joint statement on a new world order for the 21st century.⁶

However, this is not to say that either state has severed relations with the US. On the contrary, both have significant reasons for maintaining ties, and ultimately, they find themselves delicately balancing international rhetoric and aggressive posturing with soft-sided, diplomatic relations with the US. Similarly, China and Russia are further developing independent bilateral relations with other significant nations and organizations such as India, Brazil and the European Union. These relations will undoubtedly impact on one another's geostrategic goals, but also on US unilateralism and could in the future, impact US foreign policy initiatives. Regardless, with the presidents of China and Russia meeting for a precedent-setting fifth time in a year, the signals indicate a strengthening of bilateral relations. It may just take an alliance of sorts to project one or both countries to a position to

⁶ People's Daily Online. "*China-Russia Relations See Substantive Progress*". http://English.people.com.cn/200512/28/eng20051228_231366.html. Internet accessed 20 Feb 2006.

compete bilaterally with the US or better yet, create the conditions to force the US to accept a multipolar world order.

Chapter 1- Domestic Wealth

Section 1 - Economy

China

Over the past two and a half decades China's economy has grown like no other on the planet. While at a quick glance indicators portray a wealthy country, the reality in relative comparison to the West is that the country remains poor with the wealth unevenly distributed. The greatest economic gains appear to be in the industrialized urban centres and along the Pacific coast where there is easy access to incoming raw materials and sources of energy, and the rapid exportation of manufactured goods. Generally, conditions of poverty worsen in the interior regions of the country and more so near the Western frontiers.

Chinese economic reforms began in the late 1970s when the communist government began reductions in collective farming practices and commenced a shift to a more open market economy. Analysts suggest that the leadership of the Chinese Communist Party (CCP) recognized that the country was swiftly falling behind Western states in all aspects of society. Rather than acknowledge that strict adherence to communist ideology may be the root cause of retarded development and poverty, the CCP instituted an evolving program of economic restructure and liberalization. The shift has been measured and gradual with the necessary reform policies in place to manage the transition.⁷ This transformation from agriculture increased migration from rural areas to the urban centres and caused rapid growth in the non-state sectors forcing a liberalizing of market pricing, fiscal decentralization, greater freedoms for state enterprises, establishment of a diversified banking system,

⁷ CIA., p. 7.

establishment of domestic stock markets and greater investment through international trade and investment.⁸

“Prosperity has become not only the objective of the CCP champions but perhaps the avenue on which Beijing can seek political preservation through performance. For a large segment of the Chinese people, who are increasingly more nationalist than communist, the search for prosperity is viewed as key to realizing the century-old dream of rejuvenating the Chinese nation and Chinese civilization, to achieve the ideals of *fu-min-qiang-bin* (rich country and strong military) or its current version *fu-min-qiang-guo* (rich nation and strong nation).”⁹ These reforms and the excitement generated by the associated freedoms provided a new energy to the economy. Sustained growth of China’s Gross Domestic Product (GDP) has remained in the eight-to-ten percent range for the past twenty-five years raising the personal GDP to levels never previously witnessed. In terms of being measured on purchasing power parity (PPP), in 2005, China had the second largest economy in the world behind that of the US.¹⁰ The following table illustrates the rapid personal economic growth.

Year	1975	1980	1985	1990	1995	2000	2003
GNI- Gross National Income per capita (PPP\$) (Current PPP\$)	230	410	820	1 310	2 450	3 770	4 980

Table 1

Source: World Bank: http://globalis.gvu.unu.edu/indicator_detail.cfm?IndicatorID=140&Country=CN

However, with China’s population growth estimated at 30 million people every two years, the GDP must be maintained at seven percent growth or risk economic regression.¹¹

What is interesting is the fact that although categorized as a lower middle class population, people are investing and saving a large portion of their income. “Chinese have put 14 trillion

⁸ Ibid. p. 7.

⁹ Wang, Fei-Ling. Edited by Deng, Yong and Fei-Ling Wang. China Rising: Power and Motivation in Chinese Foreign Policy. Maryland: Rowman and Littlefield Publishers, Inc., 2005. p. 32.

¹⁰ CIA., p. 8.

¹¹ Personal Notes. Canadian Forces Command and Staff College “*Student Presentations – Global Express – China*” December 2005.

Yuan (US \$1.736 trillion) in savings, pouring about 46% of the country's gross domestic product into bank accounts each year."¹² The population is largely attracted to the principle that as their investment grows, their money is available for increased consumer loans contributing to further economic growth and a more diversified banking industry. Nevertheless, Chinese officials are guiding the industry through tight regulations. Rather than open the market to foreign banks, China is choosing to offer foreign investment opportunities in domestic banks. This way, profits remain in the hands of the Chinese. "Chinese government officials describe the introduction of foreign strategic investors as 'win-win' – foreign banks get to share in the China growth story while domestic banks become more competitive by adopting international risk-management strategies, developing key business segments, and attracting profit-motivated shareholders."¹³ Perhaps what concerns investors most, regardless of how prosperous the deal sounds, is the fact that China continues its economic climb without weathering a financial down-turn. Land prices remain high, economic growth appears strong and markets for Chinese goods seem to be expanding. The concern for most foreign investors is that the financial system has not completed an entire credit cycle whereby the nation experiences an economic slump with significant job losses, foreclosures and bankruptcies resulting in loan non-payments. The resiliency of the Chinese financial system to manage economic fluctuations will be the key to greater foreign investors into the banking sector.

The economic sector which appears to have attracted the greatest foreign investment is in the manufacturing and industrial arenas. This is a result of the huge manpower market which keeps wages low. With the rapid transformation from a largely agrarian economy to

¹² Carew, Rick. "China's Banks Defy Prediction". The Wall Street Journal (Europe) Wednesday, 25 January 2006. p. 1.

¹³ Ibid., p. 14.

one that is more industrialized, and the downloading of state-owned enterprises to regional or privately owned businesses, the government has had to react quickly and liberalize regulations regarding foreign capital and investment. Today, the reforms have put tens of millions of rural workers on the move and it is estimated that 100 to 150 million workers transit between villages and cities in the search of employment.¹⁴ Based on trends in Table 1, the CIA estimates that for the year 2005, national GDP (PPP) will rise to \$8.158 trillion, while the per capita rate will rise to \$6,200.¹⁵ This impressive growth over the last five years is a direct reflection of China's willingness to adopt globalization, expanding their own foreign export markets and liberalizing policies to open their economy to foreign investment. However, what may significantly impact this sector is the continued rise in prices for non-renewable raw materials and energy, land competition and pricing, environmental regulation and disaster ramifications. These costs when combined with the associated with the manufacturing process costs may drive end product prices up, thereby reducing overall economic trade and direct foreign investment, thus adversely affecting relations with trading partners. China needs to tackle these issues proactively as many analysts will predict positive and/or negative trends based on world market indicators which may affect China's mid-to-long term economic development.

Another issue affecting the Chinese economy and population is the issue of suicide and there appears to be a growing trend amongst young professionals unable to cope with the fast-paced environment created by the Chinese economy. Specifically, "a spate of suicides among young Chinese scientists is provoking questions about the intense pressure of China's relentless drive to catch up to Western science...with close to 300,000 suicides annually in

¹⁴ CIA., p. 8.

¹⁵ Ibid., p. 8.

China, suicide has become the leading cause of death among young Chinese adults.”¹⁶ Such a trend cannot be overlooked by the CCP. Not only will this affect the working population and productivity but it will extinguish some of China’s brightest minds. Over time the stress created by socio-economic change will dissipate and the population will adjust to the re-structured cultural landscape better prepared for the demands of a Western-influenced global economy.

China has watched as Japan evolved following its World War II defeat to become a prosperous powerful nation, dominant regional power and close ally of the US. In the case of China, globalization had been ongoing for a decade before the CCP leadership made the decision to adopt the concept. The decision was not without significant risk. Some analysts speculated that given past isolationist principles which guided Chinese politics and society, adaptation to the changes and challenges of globalization could prove overwhelming and lead to failure. Instead, China espoused the concept and its economy responded in kind, so much so that the US has become its largest export trading partner at 21 percent.¹⁷ Conversely, due to the higher manufacturing costs in the US, the Chinese only import eight percent from the US.¹⁸ More worrisome to US officials is the fact that China is now buying US manufacturing industries within the continental US. What seems fascinating is the fact that China, like the US on the global stage, is using this new economic power to increase its

¹⁶ York, Geoffrey. “*Suicide of Chinese Scientists Sheds Light on Drive to Exceed West*”. Globe and Mail. February 18, 2006. p. 12.

¹⁷ CIA., p. 10.

¹⁸ Ibid., p. 10.

influence over its regional neighbours and will in the very near future assume the role of regional hegemon.¹⁹

Russia

The same sort of economic success story cannot be made for Russia. Fifteen years following the collapse of the Soviet Union and repeated injections of international assistance, foreign advice and investment, Russia has failed all optimistic economic performance expectations. Russia's 1991 swift transition to democracy and open market economy proved overwhelming for the population. Today, Russia struggles to maintain its middle-to-lower class ranking and there are signals that there is an increasing return of an authoritarian style government. Anticipating that the economy would respond immediately with democratization, what happened in Russia within the first year was actually a retardation of all aspects of the state. The economy was gripped by hyperinflation, political disorder turned vicious and there was widespread human suffering. Moreover, the president scripted a new constitution in secrecy, granting the position increased personal powers and by 1994 the first war in Chechnya began amidst scandal related to 'loans-for-shares' privatization programs.²⁰ Previous scandals aside, the Putin administration has worked fervently to recover Russia's flagging economy. "Russia ended 2005 with its seventh straight year of growth, averaging 6.4 percent annually since the financial crisis of 1998."²¹ Indicators largely point to the high price of oil driven upwards by the US invasion of Iraq and China's rapidly growing

¹⁹ Godwin, Paul H.B. "*China As Regional Hegemon?*" in *The Asia-Pacific: A Region in Transition*, Asia Pacific Center for Security Studies, 2004.
<http://community.middlebury.edu/~scs/docs/Godwin,%20China%20as%20a%20Regional%20Hegemon.pdf>.
 Internet accessed 19 February 2006. p. 82.

²⁰ Saunders, Paul J. "*Why 'Globalization' Didn't rescue Russia*". The Nixon Centre – Policy Review February & March 2001. No. 105.
<http://www.nixoncenter.org/publications/articles/Russia%20and%20globalization.htm>. Internet accessed 19 February 2006.

²¹ CIA. "*The World Fact Book – Russia*". Last updated 10 January 2006.
<http://www.cia.gov/cia/publications/factbook/geos/rs.html>. Internet accessed 19 February 2006. p. 8.

economy. However, since the government's indictment of Russian oil giant Yukos executives for failing to pay taxes on revenues, there is speculation that corruption within the private sector and government meddling in state versus private affairs is still commonplace. This situation is compounded by a weak banking system, general lack of trust in financial institutions and a failure to enforce necessary fiscal regulations. These past fears have adversely affected direct foreign investment. Government efforts to reform economic structures and policies have had little significance on improving investor confidence. Criminal activity, unemployment and inflation remain high.²² Since the 1998 financial crash, the Putin administration has worked closely with the International Monetary Fund (IMF) and the World Bank to secure new credits and loans while reforming its market economy and adjusting regulations to meet the criteria of the lending agency.²³ Like much of Russia's past history, blame for the lack of economic performance is passed between political parties, administration elites and international influences, once again eroding lender confidence.

Although the Russian per capita GDP is superior to that of China, the expectations of both the Russian population and its former and potential trading partners assumed it would closer reflect the values of western nations. Such disillusionment when combined with the symptoms of a weak economy create a climate unsuitable for large-scale investment. Table 2 below depicts the dramatic drop in personal wealth following the break-up of the Soviet Union and its slow recovery. There is little indication yet to signify the average Russian has prospered significantly since Russia adopted open market reforms.

²² Ibid., p. 8.

²³ Supian, Victor B. and Mikhail G. Nosov. "Reintegration of an Abandoned Fortress: Economic-Security of the Far East". Rozman, Gilbert, Mikhail G. Nosov and Koji Watanabe, Editors. Russia and East Asia: The 21st Century Security Environment. New York: East West Institute., 1999. p. 70.

Year	1990	1995	2000	2003
GNI- Gross National Income per capita (PPP\$) (Current PPP\$)	8 400	5 890	7 050	8 950

Table 2

Source: World Bank: http://globalis.gvu.unu.edu/indicator_detail.cfm?IndicatorID=140&Country=CN

For the year ending in 2005, analysts estimate that Russia's national GDP (PPP) was \$1.535 trillion, with a growth rate down to 5.9 percent and a per capita GDP (PPP) sitting in the neighbourhood of \$10,700.²⁴ The fear for Russia's economy is that it is largely based on the export of raw materials, namely: oil, gas, metals and forest products. "The World Bank estimates that the oil and gas sector, which employs less than one percent of the workforce, accounts not for nine percent of the GDP, as the official figures state, but for nearer 25 percent."²⁵ Thus, a large percentage of the country's wealth is controlled by a few. To achieve a broad-based economy and raise the wealth of the population, Russia needs to revitalize its manufacturing and industrial sectors. In the past 15 years under privatization there has been little, if any, capital improvements completed causing many factories and much of the equipment to fall into a state of disrepair. Similarly, there has been little in the way of technological advancement meaning that Russian manufacturing practices have difficulty economically competing with global peer competitors. Resultantly, Russia continues to struggle to find new investment capital, qualified and experienced personnel and access to the technology required to revitalize its broad-based economy and become competitive globally.

The defence industry is one sector that appears to be productive and competitive once again. The benefits from this are two fold: firstly, it allows Russia to more cheaply finance its own military revitalization and modernization programs, and secondly, it injects much

²⁴ CIA., p. 9.

²⁵ Barnes, Hugh and James Owen. "Russia in the Spotlight: G8 Scorecard". Foreign Policy Centre, January 2006. <http://fpc.org.uk/fsblob/686.pdf>. Internet accessed 19 February 2006. p. 32.

needed capital into other economic sectors, such as high technology and space programs.

One of Russia's largest defence industry customers is China. Russia also sells defence equipment to several other nations, including Iran and North Korea, as well as some African nations. Russia's trade partners are frequently those states the US considers non-aligned destabilizing agents of a peaceful world order. This proliferation of arms and technology is of grave concern to the West. Similarly, Russia has been known to sell technology licenses to the manufacture of defence equipment and Russian scientists often move abroad in search of employment opportunities thus exporting defence industry knowledge. This problem threatens global security and is one that many nations are attempting to work closely with Russia to find alternative solutions.

What is odd is the manner in which Russia has been courted by the G8 Western nations. Russia, with the world's sixteenth largest economy is a member of this elite group, yet China, presently ranked sixth (under the G8 framework) is not. "The coordination of these nations and their unequal influence over international institutions such as the World Bank, IMF, NATO and World Trade Organization (WTO) ensures that their interests dominate the world order... The leaders of these countries would argue that, while their economic, social models and political persuasions may vary, they are united by universal values of democracy, human rights and free-market economics outlined at the inaugural summit in France."²⁶ It could be argued that Russia is diverging from these principles in at least two of the three cases. Combined with the fact that the Russian per capita GDP is less than half of the next lowest nation, it could also be argued that Russia has not earned its rightful privilege to move in the same circles as these powerful nations. It will be interesting to observe how Russia presents its position at the July 2006 conference given that Putin has

²⁶ Ibid., p. 9.

re-established greater authoritarian controls and recently used natural gas (cutting the supply to the Ukraine and Europe in January 2006) as a coercive negotiation tool. Quite likely, Putin will ensure that his defence markers are established prior to this meeting and he will attempt to focus on the positive aspects of Russia's transformation, tabling issues such as education, health, and security as topics for discussion. In the end, if the economy is any indication, Putin's plan for social spending may involve using money from other nations.

Today, Russia's declining population of 140 million is substantially more focused on domestic issues rather than finding solutions to the evolving world order. Having said that, the population remains concerned about their own national interests and security. Until the productivity of the economy improves it is unlikely that the Russians will wield significant global influence.

Analysis

With respect to economy, China's mental focus and regulated social design appears to have multiple benefits. The majority of China's 1.3 billion citizens now lead a lifestyle never before recognized with greater disposable incomes and access to amenities not previously permitted inside the borders. The CCP has solidified its grasp on power by demonstrating that their rule, policies and structure work and are proving successful, resulting in an enhanced nationalist pride amongst the population. This apparent government ability to succeed reinforces Party strengths and increases their capacity to wield power geopolitically. The second order effect allows China to play a more significant and influential role in the international arena. "Under the neo-authoritarianism banner' of the CCP, China's 'political, economic and intellectual elites have all reached consensus and joined in an alliance to rule

China as a new ruling class that monopolizes political power.”²⁷ Although there appears to be a liberalizing stance by the CCP ruling elite, the freedom has more or less been confined to economic and financial policies and access to privatized development. With respect to the population, the demand for social systems to include schools, medical facilities, water, institutions for the aged, roads and communications networks to support the exploding population and bustling economy could simply spiral beyond the control of the CCP. In order to assist in offsetting this demand, once tightly controlled state enterprises are now gaining increasing freedoms to find and develop solutions. This liberalization must also come with the policies and regulations required to implement these strategies. Ultimately, the CCP maintains control of the economic levers rather than permit complete decentralization and provide a window of opportunity for its devolution to elements of the criminal underworld or other potential challenges to its authority. Although not openly threatened, China views its national security, including the offshore province of Taiwan, as vital to its economic interests.

Undoubtedly, China’s strategic goal is to use this economic power to bolster its military, diplomatic and informational power and emerge as the regional hegemon. To do so the CCP has recognized that this power will not be achieved by China alone and will require close cooperation with diversified global partners. As one Chinese analyst has suggested, “China’s sustained development in the future cannot be sufficiently supported by [its] domestic resources: we must have the right to share the world’s resources and use them to support China’s development.”²⁸ In the short term, China’s economy will continue to gain, supported by the excitement surrounding the Beijing Olympic Games in 2008. It will be

²⁷ Wang., p. 32.

²⁸ Wang., p. 40.

interesting to watch how the Chinese markets respond post-Games as tourism and prices for land and commodities dip. This may also negatively affect the unemployment rate, but nevertheless, China has now established a broad economic base, has the right economic regulations and controls in place and continues to expand global markets which all signify continued productivity.

Russia, on the other hand, has significant economic work ahead. As Supian and Nosov suggested in 1999²⁹, Russia's future economic policy has three key options. Firstly, Russia could institute a combination of a command economy with market economy principles as a remedy to existing hurdles of ideological adjustment and economic chaos from the shock therapy attempt in 1992. Secondly, similar to Belarus, Russia could see a return to a command economy whereby government controls all aspects of the economy rejecting the ideals and reforms of market economies. With this plan, there is a suppression of democratic rights which was the lead initiative in the early stages of the transformation. Lastly, Russia could continue to forge ahead with the market economy process, modifying reforms and re-structuring the economy as necessary while improving living standards. Analyzing recent moves by President Putin, it appears that the latest round of adjustments appear to be falling in line with the first option. Putin has regrouped some elements of the economy under tighter government control and endeavoured to put key figures in regional positions of authority signaling a firmer grasp on certain sectors of the economy and the generated wealth. One would hope that such a measure is a temporary remedy to assist economic productivity before once again opening the economy up to adequately regulated privatized control. Such a step would improve investor confidence and likely re-open many

²⁹ Supian, Victor B. and Mikhail G. Nosov. "Reintegration of an Abandoned Fortress: Economic-Security of the Far East". Rozman, Gilbert, Mikhail G. Nosov and Koji Watanabe, Editors. Russia and East Asia: The 21st Century Security Environment. New York: East West Institute., 1999. p. 71.

doors for foreign capital investment, thus improving economic standards and raising per capita GDP rates in the range of neighbouring European countries. In the short term, Russia will continue to exploit its natural resources and market defence products to support its struggling economy. Western nations will attempt to work closely with Russia to retard Putin's efforts to re-centralize power by assisting with reforms and restructure. What the West cannot assist with is the transition across the political realm. Before Russia can consider regaining the stature it once held, it needs to come to terms with the realities it faces in the 21st Century. This means ensuring that its economic well-being is in order before looking to become the regional leader.

Together, the Chinese and Russian economies mix only as a matter of convenience and do not pose any combined threat to the US. Today, Russia is largely a supplier to Chinese economy. Cheaply manufactured Chinese products flow back into Russia, but not in sufficient quantities for Russia to rank in the top five Chinese import or export partners. Not surprising, Russia exports six percent to China and five percent to the US, while importing almost similar percentages.³⁰ Consequently, the US economy is more important to each country individually than they are to one another. Within the economic sector, any form of an alliance to counter US unipolarity is highly unlikely.

Section 2 - Resources

China

China's wealth in natural resources could be considered abundant, however, given its population size and rate of consumption China imports in all resource sectors (energy – ten percent, industrialized raw materials - twenty percent, and agricultural mineral products -

³⁰ CIA., p. 11.

thirty percent).³¹ There may be two reasons for this: firstly, China has several deposits, which at this point, are not economically feasible to develop, and secondly, China has realized that through good resource management and conservation and by consuming imported materials they will have remaining resources in the future. China's mineral resources include 171 types of minerals with 158 having proven reserves. These include ten kinds of energy resources, 54 types of metallic minerals, 91 types non-metallic minerals, and two types of water supply – underground spring water and mineral water.³² This being said, not all deposits yield quality ores and in some cases the extraction and refinement costs exceed the processed value, thus importation proves more economically effective.

With respect to oil, China estimates that it has capacity to extract greater than 15 million barrels/day of exploitable oil but from which it only produces 3.5 million barrels a day (exporting 340,300 bbl/day). At the same time, China imports 3.226 million barrels per day to supply a huge daily consumption rate of 6.391 million barrels.³³ This demand has created competition in the market, namely with the US and has contributed to driving the overall price per barrel into the US \$70 range. But this also clearly signifies that China's economy is booming with the resultant increasing per capita GDP meaning more and more Chinese now own vehicles. China's thirst for oil has led it to tighten trade relations with Russia. In 2005, the two nations signed an agreement of intent to construct a joint oil pipeline and joint development of natural deposits. Both sides are eager to commence transactions, but Russia continues to stall citing a requirement for further study before the technological requirements and economics involved can be negotiated. The proposal will

³¹ www.china.org. "Natural Conditions". China Facts & Figures 2004.
<http://www.china.org.cn/English/en-shuzi2004/zr/zrzy-kc.htm>. Internet accessed 19 February 2006.

³² Ibid., p. 1.

³³ CIA., p. 10.

investigate a pipeline from Siberia to the Amur region on the Asian Pacific close to the Chinese border. This pipeline will alleviate the increasing demand on rail shipments which are expected to double in 2006 to 15 million metric tons in 2006.³⁴ China also expects to work closely with Russia on other energy projects ranging from hydro-electric developments to coal and nuclear electricity facilities.

Russia

Russia is blessed with a wealth of natural resources; a benefit of having the largest land mass in the world. Almost two-thirds of Russia is considered to lie in Central Asia and the majority of its natural resources are extracted there. However, in the last fifteen years, the economy has been widely supported by the exploitation of these assets. The bulk of the generated revenue does not remain in the east, being siphoned off to Western and Central Russia to fund social reorganization programs.³⁵ “Raw materials, especially oil, natural gas, metals and minerals have dominated Russia’s exports, accounting for 100 billion, or 56 percent of exports in 2004.³⁶ When concentrated into 10 export product categories, all of which are raw materials, it accounted for 70 percent of Russian exports (by contrast, the US top ten commodities accounted for 37 percent).”³⁷ For the past five years, world markets have provided high returns on these raw goods. Much of this has been driven by China’s huge demand, particularly in the oil and energy sector, but also in the metals sector which has driven the price of ore and recycled steel up. Similarly, US manufacturing requirements and the war in Iraq have impacted the market positively in Russia’s favour. Yet, this dependency

³⁴ RIA Novosti. “Russia, China to Sign Joint Oil Pipeline Agreement”. Novosti Russian News and Information Agency. 3 November 2005. <http://en.rian.ru/Russia/20051103/41985685-print.html>. Internet accessed 9 November 2005.

³⁵ Sato, Tian and Koh. “Homemade Risks: The Economic Security of Russia in East Asia”. Rozman, Gilbert, Mikhail G. Nosov and Koji Watanabe, Editors. Russia and East Asia: The 21st Century Security Environment. New York: East West Institute., 1999. p. 115.

³⁶ Barnes and Owen., p. 41.

³⁷ Ibid., p. 41.

is troubling for Russia, for if the market were to fall substantially, the country is at risk of sliding into a recession given that the economy is not yet sufficiently diversified to absorb the rapid shock of falling energy prices. Russia is fortunate to have substantial oil reserves, producing 9.15 million barrels per day, consuming 2.8 million barrels and exporting another 5.15 million barrels, while only having to import 75,000 barrel per day.³⁸ China, who is Russia's third largest trading partner, is the largest importer of Russian oil.

As demand for Russia's natural resources grow, so does the Kremlin's wealth and power. "President Putin declares openly that Russia will reassert its rightful place on the world stage with wealth and influence built on global energy contracts, and in 2005, the Kremlin moved decisively to strengthen its vertical power in the energy sector, paving the way for the consolidation of the state's control over the oil and gas sector."³⁹ In the final quarter of 2005, the Putin administration, through its state controlled Gazprom, purchased private operation Sibneft for US \$13 billion, while Rosneft bought troubled Yukos for US \$9.4 billion giving the government 30 percent control of the oil and gas sector.⁴⁰ The government has also raised the taxes on exported energy, thus creating another windfall for themselves while slicing into the privatized profit margin. Once again, Putin has exercised his desire to regain some of the powers once wielded by past Soviet Union administrations. However, this will come at a significant cost to the population and future generations.

Putin has also demonstrated that he is willing to use his natural resource assets for political reasons as he did in January 2006 when he authorized a cut in gas supplies to the Ukraine, which also supplies one quarter of the European Union's demand.⁴¹ Such

³⁸ CIA., p. 10.

³⁹ Barnes and Owen., p. 45.

⁴⁰ Ibid., p. 45.

⁴¹ Ibid., p. 9.

behaviour signifies both the dangers and the vulnerabilities of Russia's dominance in the resources sector. The fact that Putin can move freely within G8 circles and affiliated financial organizations is cause for concern and regulations must be implemented to control this form of extortion before there are catastrophic results. Likewise, economies that depend on Russia's resources should immediately diversify their suppliers and collectively isolate Russia to increase pressure on Russia to conform to accepted international trade practices. In the end, resource prices may rise to cover associated supply costs, but the offset may pay dividends should Russia's leaders choose to play 'political hardball' for extended periods.

Analysis

China and Russia have favourable relations in the resource sector. China has enormous demand and Russia is willing to supply, especially when prices are driven skyward by global competition. With this current relationship, China could become too dependant on Russian supplies and, in the end, pay prices that are too high or could be held hostage to other Russian demands. Firstly, it would be wise for China to diversify its suppliers, and secondly, invest some of its generated capital in other economic sectors to further boost domestic natural resource exploration and development. On the other hand, Russia needs to reinvest its resource revenues into further exploration and development, as well as diversify its economic base. Should resource prices plummet the entire Russian economy could slide towards the abyss. Because Russia is not re-investing in the development of social programs, basic living standards, and further exploration and development in the Far East region, there is a net migration of inhabitants. The disparity on the Chinese side of the border is quite the opposite with a burgeoning population and economic prosperity. Such a situation weakens

Russian economic security.⁴² Another potential flashpoint between the two neighbours is the safeguarding of life and environment. Failure to protect the natural environment could have devastating effects on both the health of the population and the future of natural resources. Both countries need to adopt good industrial and natural resource sector practices, not only for their own respective countries, but for one another's.

China has a very sketchy record for cutting both safety and environmental protection corners. This is particularly evident in the mining industry when each year several hundred miners die in mine disasters. Likewise in November 2005, a petrochemical factory accidentally discharged thousands of litres of toxic benzene into a water system which flowed into Russia, virtually destroying all aquatic life and affecting the livelihood of millions on both sides of the border. On the positive side, China appears to recognize the fact that irreversible damage to the environment will occur if economic expansion continues without necessary environmental regulations being enforced. On 11 March 2006, Director of the State Environmental Protection Administration, Zhou Shenigxian stated, "facts have proved that prosperity at the expense of the environment is very superficial and weak. It is only delaying disaster."⁴³ During the period 2001 to 2005 China reportedly invested US \$72.3 billion to tackle environmental protection shortcomings, restraining or closing some 2,609 businesses and punishing more than 300 people.⁴⁴

Russia, with its own blemished record (one only needs to think of Chernobyl) is well aware of the consequences of failing to ensure proper safety measures are in place and

⁴² Sato, Tian and Koh., p. 111.

⁴³ AP/China Daily. "Minister: China Risks Environmental Disaster". China Daily 13 March 2006. http://www.chinadaily.com.cn/English/doc/2006-03/13/content_533451.htm. Internet accessed 14 March 2006.

p. 1.

⁴⁴ Ibid., p. 3.

enforced. It appears promising that measures to improve safety and environmental protection will continue.

Based on the relationship China and Russia maintain within this sector, there is no indication of an alliance forming to challenge US power. Both are dependant on one another within the sector and both threaten each other's economic security more so than any US behaviour towards either. There may be a slim chance of a confrontation arising related a US challenge to China over access to Russia's oil. However, this is very unlikely and there is little chance that the US would further prop-up Russia's economy anymore than it has already done. The US will continue to seek its oil supplies elsewhere. There is greater likelihood that a dispute could form between China and Russia over issues regarding payments, supplies, border problems related to pollution, criminal activity, or large-scale Chinese migration into Russia's Far East which would adversely affect employment rates within the resources sector. Natural resources will not be a determining factor in any challenge towards the US.

Chapter 2 – International Relations

Section 1 - Globalization

China

China's largest liberalization in the past century is most likely its acceptance and adoption of globalization. "Prosperity in the era of globalization has motivated much of China's foreign policy, especially its foreign economic policy. Institutionally and practically, China has made major strides to merge itself into the existing international order, culminated by Beijing's last-minute decision, with surprisingly large concessions, to join the World Trade Organization (WTO) in 2001."⁴⁵ China has evolved in many ways in the last half decade since joining international organizations and now commands world attention. Not only is China engaged in global organizations such as the WTO, UN and others, it is playing an increased role in regional circles as well; sitting as a regular member of the Association of South-East Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC) forum, and in 2001, formed a new organization, the Shanghai Cooperation Organization (SCO) with member states Russia, Kazakhstan, Kyrgyzstan, Tajikistan and later, Uzbekistan. These regional groups, although formed as a subtle signal to the US, meet to discuss issues of trade and collective regional security. They have been known to release joint statements condemning various issues of world activity, usually targeting some aspect of a US foreign policy initiative as was the case when the organization pressured Uzbekistan to cease US military operations on Tashkent airfields. China frequently takes advantage of these global forums to press elements of its political agenda which are tuned for the most part to counter US unilateralism. China's key messages relate to a geostrategic order based on multipolarity,

⁴⁵ Wang., p. 35.

fair and rational international financial, trade and political freedoms which lead to universal prosperity (economic globalization) without interference of an existing global power.⁴⁶

“China is less concerned with US power per se and more concerned with the way that power is exercised.”⁴⁷ One of China’s visions of globalization, besides that of prosperity, is being able to limit US hegemony through economic leveraging and interwoven relationships. As Chinese academic Zheng Yu observes,

the rising trend of economic globalization has led to an unprecedented level of economic interdependence, thereby effectively containing the possible escalation of regional conflicts to great-power war. And it has become increasingly difficult to resort to economic coercion as a means to control the economic development of another country. As such, economic globalization has provided opportunities and favorable conditions for overall peace and development in the international community.⁴⁸

China’s participation in globalization has resulted in greater international power. A prime example of the power China now wields is reflected by Wang’s observation, “in June 2003 at the invitation of the French, the Chinese for the first time attended the highly symbolic G-8 summit in Evian, France. It seems to the Chinese that selectively embracing globalization pays and that international political legitimacy can be purchased as well.”⁴⁹ Whether China gets a permanent seat at this elite table has yet to be determined. As Ambassador Zha Peixin reflected before the Chinese Economic Association Annual Conference in April 2003, “China has learnt from her long history that isolation leads to backwardness. Development, progress and prosperity could only be achieved through opening to and integrating with the outside world, through stepping up exchanges and

⁴⁶ Ministry of Foreign Affairs, The People’s Republic of China. “*China’s Views on the Current International Situation*”. 18 August 2003. <http://www.fmprc.gov.cn/eng/wjdt/wjzc/t24882.htm>. Internet accessed 19 February 2006.

⁴⁷ Deng, Yong and Thomas G. Moore. “*China Views Globalization: Toward a New Great-Power Politics?*”. *The Washington Quarterly*, 27:3. p. 117-136. http://yaleglobal.yale.edu/about/pdfs/china_views.pdf. Internet accessed 18 February 2006. p. 122.

⁴⁸ *Ibid.*, p. 123.

⁴⁹ Wang., p. 35.

cooperation with other countries and absorbing all fine results of human civilization.”⁵⁰ As William Overholt observed before the US-China Economic and Security Review Commission, China accepted many changes such as the “adoption of the rule of law, of commitment to competition, of widespread use of English, of foreign education, and of many foreign laws and institutions that are not just updating Chinese institutions but transforming Chinese civilization.”⁵¹

China’s acceptance of globalization has not been without cost. Competition in the global market normally results in the elimination or restructuring of weak sectors of the economy. China has witnessed this first hand as state controlled employment has been reduced by 44 million jobs; 25 million in the manufacturing sector alone, as well as a reduction of 125 automobile companies into three-to-six with many more jobs expected to be lost.⁵² Nonetheless, the overall effects appear positive. China has found itself entering into the global league of power-politics; this is itself an extension of Chinese foreign policy aimed at “an economic and political order in which mutual trust, benefit, equality, and cooperation characterize bilateral relations and multilateral institutions to reduce insecurity and safeguard global strategic equilibrium and stability.”⁵³ There is little doubt that several nations have benefited by China joining the globalized world, most notably the US. But China’s success also brings concern. As the Chinese economy expands, partly due to low financing rates within the Chinese financial system, key sectors multiply within themselves eventually cornering a particular market. Before long, competition is eliminated and overproduction

⁵⁰ Peixin, Zha. “*China and Globalization*”. Speech by Ambassador Peixin at Chinese Economic Association Annual Conference 14 April 2003. <http://www.chinese-embassy.org.uk/eng/dsjh/t27161.htm>. Internet accessed 19 February 2006. p. 2.

⁵¹ Overholt, William H. “*China and Globalization*”. Testimony presented to the U.S.-China Economic and Security Review Commission on May 19, 2005. RAND Corporation. http://www.rand.org/pubs/testimonies/2005/RAND_CT244.pdf. Internet accessed 19 February 2006. p. 1.

⁵² Ibid., p. 2.

⁵³ Deng and Moore., p. 125.

results leading to a diminished prices and bankruptcies. The cycle then starts again as factories look for cheap financing to start up production once the dust has settled. This phenomenon is particularly evident today as China is in the midst of cornering the world steel market.⁵⁴ The other principal cause of concern with China's emergence is the theft or illegal reproduction of intellectual property.⁵⁵ This problem is not new, nor is it isolated to China. In fact, this problem exists in several developing countries because it is simple and generally has low overhead requirements, while domestic authorities seldom enforce international license regulations. If China does not tackle this problem internally, other nations simply will apply crippling import tariffs to Chinese goods, raising export prices on goods destined for China and implementation of other economic sanctions until satisfied that suitable regulations are enforced and proper trade behaviour is followed.

Regardless, China has done well to adapt quickly and it will continue to put into place the necessary regulations and policies to work, trade and interact diplomatically at the international level. China will also continue to enforce the safeguards it deems necessary to protect its national interests, security and political preservation. This is evident with the enforcement of controlled access to the internet, including political related bulletin boards and search-engine accessibility. Likewise, the CCP will continue to control the amount and content of 'western' culture permitted inside the Chinese borders. In the end, the Chinese recognize that globalization is a tool that when used effectively can lead to prosperity and power. Deng and Moore support this vision stating,

⁵⁴ Overholt, p. 11.

⁵⁵ Ibid., p. 11.

to the extent that globalization can create constraints on US power – power that might otherwise be used to pursue unmitigated unilateralism – China believes it can pluralize and democratize the hegemonic order and strengthen incentives for Washington to engage Beijing rather than contain it. As such, Chinese mainstream observers see globalization and multipolarization reinforcing each other to create common interests that can replace the China threat theory with the China opportunity theory. Such a world is most conducive to China’s quest for economic prosperity and great-power status.⁵⁶

Russia

Russia’s introduction to globalization was nothing short of distress and a paradigm for complete chaos. The January 1992 strategy designed to bring Russia into the next millennium “globalized” was quite aptly referred to as “shock therapy”.⁵⁷ The pundit’s concept was to release Russia from virtually all aspects of state control and immediately immerse the country into a market economy without price controls, relatively open trade policies, privatized competition and the right to own private property. Concurrently, the ruble had to be converted and controlled domestically and the government had to gain tight control on spending to manage inflation.⁵⁸ Never before had a country the size and complexity of Russia witnessed such dramatic system change. Transformation included the adoption of a democratic government, a more open society, ongoing changes to the federal borders, territories and seas, changes to access of natural resources, and the establishment of an open market economy. “Successful economic reform was to create a new middle class that would become a powerful constituency favoring the consolidation of economic and political reform in Russia. This would serve larger American interests by promoting peace between Russia and other democracies, and therefore, enhance American security.”⁵⁹ This

⁵⁶ Deng and Moore., p. 127.

⁵⁷ Saunders., p. 3.

⁵⁸ Ibid., p. 3.

⁵⁹ Ibid., p. 3.

program's greatest failure was to ensure that the necessary reform principles, policies and structures were in place – laws, regulations, interim financing to assist private sector start-ups and the institutions to govern reforms. The greatest shortcoming was the failure to ensure that the population understood the theory and benefits behind the practice. The devolution of the entire economy at once to large-scale privatization programs without proper preparation was a recipe for disaster.

Unlike China who entered globalization in a controlled and calculated manner, Russia was introduced to globalization simultaneous to other significant reforms. In reality, the population was not prepared for it, nor ready to adopt it. Although highly intelligent and hard-working, the average Russian wants, and for the most part leads, a simple life devoid of stark 'western' commercialism. Neither the market nor the masses were prepared to support the establishment of neon-lit streets, big-box store strips and over-sized shopping malls.

Perhaps another reason globalization did not fully succeed at once was because the pressures for economic reform were not sufficient. Russians are well aware of their tremendous wealth in natural resources and, sooner or later, prospective buyers would seek raw materials. If globalization was what it was supposed to be, the competition of global markets would drive resource prices up and Russia would do just fine without the pressures associated with a globalized economy. Perhaps as Saunders suggests, Russia was too big to fail, had a nuclear arsenal for insurance purposes and could secure multilateral credits from financial institutions when required.⁶⁰ What is odd is that Putin has noted that 'Russia does not need credit', yet, Moscow is keen to re-finance old Soviet debt. Regardless of the reason, 'shock therapy' did not work and the average Russian has suffered. "The poorest groups in

⁶⁰ Ibid. p. 5.

the poorest regions have been most seriously hit. Seen from this angle, ‘prosperous’ Moscow is an island of mostly ‘haves’ in a sea of ‘have-nots.’⁶¹

Unfortunately, the failure to establish adequate controls and policing within privatized economy has allowed the criminal element to germinate and its roots now extend globally. “It is safely assumed that roughly 70 to 80 percent of all private businesses, including banking, are now controlled by the ‘mafia’. But little effort seems to have been made to curtail the growing criminalization of the economy.”⁶² Again, the population suffers, for it is the local consumer that continues to pay inflated prices for goods relative to income. This problem is now so widely apparent that foreign investors are hesitant and often unwilling to invest or lend capital inside Russia.

In an effort to jump-start the economy in other sectors, Russia has attempted to revitalize its defence sector, selling billions of dollars worth of equipment, technology and licensing to China. Russia is also working with states in the Middle East such as Israel and Iran, as well as some African nations. Although Russia’s defence products do not rank in comparison with similar US products, they have been upgraded and modernized and are a leap forward for dated militaries. This sector combined with the resources sector remains insufficient and too narrowly based to compete productively in a globalized world economy. Nor can it adequately support a country the size of Russia, or likewise, a Russia who envisions itself as a peer competitor to the US. Consequently, Russia’s economy continues to lag behind most Western countries and remains at risk to recession or collapse.

However, Russia has not given up on the globalization challenge and can visualize the benefits, if it cannot yet achieve them. The West and G8 nations have not yet given up

⁶¹ Sato, Tian and Koh., p. 110.

⁶² Ibid., p. 110.

on Russia either; but they have acknowledged changes within the Putin administration. The increased power of Putin's government over key sectors has analysts concerned that this may be the start of a return to an authoritarian government of old. Putin will likely use his 2006 G8 Presidency to attempt to allay those fears and demonstrate Russia's aspiration to participate in an open and active geostrategic economy and express that Russia fully intends to cooperate and work in concert with the West. Oddly enough, China has been left off the invitation list for the Russian hosted 2006 St Petersburg summit.

Analysis

China and Russia have each taken a different path towards globalization; China more recently and more successfully than Russia. Besides seeking greater prosperity, each country foresees using globalization as a foreign policy tool. Globalization, when employed properly is an extremely versatile means to bolster geostrategic power. As a tool, globalization will be more useful to China than it will Russia, as China and the US have more diversified supply and demand issues at stake than vice-versa. Equally, in today's geopolitical framework, China and the US have greater inter-related issues of national interest than exist between China and Russia. Yet, both China and Russia view globalization as a means to counter US hegemony.

Both nations see a narrowing of the elitist advantages held by the US by gaining greater access to larger sources of capital, technology, human resource and information management techniques and administrative expertise to run economic sectors more efficiently – from banking and financial institutions to international companies and trading establishments. With these new skills they can improve relations and interaction with regional partners, thereby enhancing and advancing their own political, economic and

national security agendas, while at the same time, reduce the US influence in the Central and Far East region. Both countries view themselves becoming more resilient to financial crisis like the one that swept across Asia in 1997 and Russia in 1998, thus being less vulnerable to renewed US intervention and investment. China and Russia still have much work to complete before they can realistically implement the strategic use of globalization as a counter-balance, or worse, a coercive political tool against the US.

China needs to stabilize its emerging banking industry. Each year 12-13 million people join the workforce and for each generation approximately 300 million people migrate to cities.⁶³ This means more people will be looking to the industry for personal financial support, personal investment or business start-up. Reform is not complete just in terms of rising GDP; China remains poor by Western standards. Although China may formulate a foreign policy vision influenced by globalization, for the short-to-mid term it needs to focus on the domestic socio-economic challenges associated with its introduction.

For Russia, globalization as a counter-measure against US hegemony is for the near-to-mid term not a factor. Russia's economy is too weak and unstable to have any significant impact on the US and there is an apparent lack of indicators signifying sound improvement. Russia has too many items on its domestic agenda to ardently focus beyond its own borders. Its population is in decline and the Far East regions are suffering in isolation and poverty. On the other hand, China's population in the same border region is exploding and its economy bustling. Russia's attention is now drawn to the fact that Chinese migrant workers could soon flow across the border to work in the resources sector furthering reducing the employment opportunities of ethnic Russians. This will result in Russian rubles crossing the

⁶³ Overholt., p.8.

border positively impacting the Chinese economy while cheaply manufactured Chinese goods find their way back into Russia.

Russian organized crime also siphons off much of the privatized profit while the Kremlin rakes in oil and gas sector revenues giving Moscow a modern, cosmopolitan and sophisticated sense about it while the Far East decays. Unfortunately, these practices are habits held over from the Soviet period. Perhaps the largest hurdle Russia has is overcoming the intense desire to return to the geopolitical status held during the Soviet Union era. To become a dominant international country, Russia needs to focus and act on domestic transformation reforms rather than becoming fixated on methods to contain US hegemonism.

Although Russia's GDP is in excess of China's, the country is not performing well by Western standards. Based on the differences with respect to domestic policies and the approaches and implementation of globalization, there is little scope for an alliance between China and Russia to challenge US unipolarity.

Section 2 – Foreign Policy

China

China's surprising foreign policy transformation promoting multilateralism is tied to a number of variables including the economic reforms initiated some 25 years ago, acceptance of globalization within the last decade, a liberalization of state powers and financial systems, and a renewed focus on internationalism. During China's era of isolationism which ran throughout the duration of the Cold War, the US executed a policy of Chinese containment. Under these conditions and restrictions, Chinese socio-economic progress was severely impeded. China was also aware that the strong US presence and influence in the Far East/Pacific region threatened Chinese national interests and security. The US courted

China's neighbours (Japan, South Korea, Philippines amongst others), controlled its lines of communication (Pacific Ocean and the Malacca Strait), and fostered relations with its highly valued province, Taiwan. China also watched helplessly as the US imposed its foreign policy in flagrant disregard of international forum decisions and world opinion. The US-led NATO bombing of Kosovo was a stark indicator that the US was overtly willing to implement its foreign policy initiatives on and within sovereign states. To China, such worldly defiance requires international policing. Frustrated by their present geopolitical status, China quietly set the conditions for change. While the US has been occupied with rogue states such as Afghanistan, Iraq, Syria, North Korea and Iran, and the agents who support non-state actors such as Al Qaeda, China was able to institute transformation and broaden its global influence through strategic partnering without drawing undue attention. At this juncture, any effort by the US to contain China would be challenging and counter-productive. As Henry Kissinger reflects, "the rise of China - and of Asia - will, over the next decades, bring about a substantial reordering of the international system. The center of gravity of world affairs is shifting from the Atlantic, where it was lodged for the past three centuries, to the Pacific."⁶⁴

The security concerns following 9/11 reinforced China's decision to change. China was not only concerned about the rise of global terror itself; it was also fearful of the US response to control it. China watched closely as the US spread forces throughout the Middle East securing Afghanistan from the Taliban, removing Saddam Hussein from power in Iraq and establishing military bases in Bahrain, Kuwait and Uzbekistan. Although China was a supporter of the war on terror, it was loath to accept US power spreading democracy through

⁶⁴ Kissinger, Henry A. "China: Containment Won't Work" Washington Post 13 June 2005. <http://www.washingtonpost.com/wp-dyn/content/article/2005/06/12/AR2005061201533.html>. Internet accessed 22 September 2005. p. 1.

force, while at the same time securing a presence in regions with abundant sources of fossil fuels. But China is pragmatic. “Beijing’s political leaders know that superpowers aren’t measured by their foreign aid budgets or their economies. They are measured by their ability to use their comprehensive national power – economic, political, and above all military – to gain the obeisance of their neighbors and their regional global rivals.”⁶⁵ Fearing US dominance, China is beginning to assert elements of its national power.

China’s foreign policy strategy is to avoid direct military confrontation, most notably with the US; however, there are indications that it intends to simply and slowly squeeze the US out of certain economic sectors and regions. China has moved away from the isolationist past to one of internationalism, taking advantage of opportunities to participate more often and more widely. This is certainly the case in some South-East Asian forums where in the last decade China has launched 27 separate ASEAN-China mechanisms at various levels, while in the almost three decades that the ASEAN-US dialogue has been ongoing, they have only seven bodies that meet infrequently.⁶⁶ China is also conscious of the present US international commitments. Chinese leaders understand that the ongoing and costly war in Iraq, substantial force deployments in Afghanistan, South Korea, Japan, and Germany combined with recovery efforts following Hurricane Katrina has reduced US focus on the Asian-Pacific region (less North Korea). It is highly unlikely that the US has sufficient national power to contain the fast rising China. But on the other side of the coin, does it need to? Has China emerged as the next threat to the US?

⁶⁵ Dillon, Dana and John J. Tkacik, Jr. “*China’s Quest for Asia*” Hoover Institution Policy Review, December 2005 & January 2006 No. 134. <http://www.policyreview.org/134/Dillon.html>. Internet accessed 19 February 2006. p. 1.

⁶⁶ Ibid., p. 2.

The lack of a US focus in the Pacific Region has allowed China to capitalize. US failure to attend the 2004 ASEAN Summit in Vientiane, Laos allowed China to propose a new Free Trade Area in the Pacific Rim. China was able to engage each country individually, which allowed it to isolate those nations not presently 'pro-China'.⁶⁷ The outcome of this new free-trade zone will likely see smaller nations becoming suppliers of raw materials to China and importers of cheaply manufactured goods, as is presently the case in Russia. Furthermore, China also proposed the establishment of a new 'East Asia Summit' (EAS) agenda that would tackle issues of regional security. However, the surprising key to this new forum was that the US and Australia would be excluded.⁶⁸ The haste with which China is setting down regional markers is noteworthy and seems to have caught the US off guard. China's counter-containment of US influence and interference in the region has commenced and the US must now re-assess the role it wants to play throughout the Pacific Rim region.

As an extension of its foreign policy, China is expanding its diplomatic contacts and is also opening dialogue with nations it has tended to keep at arms length. China is in regular contact with India, Japan, Russia and Pakistan and is now networking throughout the Middle East, North Africa, in South America and the Caribbean. Undoubtedly, China will work issues related to its economy, but more importantly, China is rounding up its 'cheerleaders'; those nations that will back China when issues arise requiring international debate. In most instances, these matters will be related to extensions of US foreign policy and by including the support of these nations, China will have a collective voice behind its argument. This multilateral approach to world affairs is in line with China's foreign policy strategy to

⁶⁷ Ibid., p. 3.

⁶⁸ Ibid., p. 4.

counter US unilateralism. What is interesting about China's strategy, unlike that of the US or Russia, is that it does not align itself with any aggressive or military related pretexts.

As Yong Deng observes, "indeed what is striking about Chinese assessment of international status is the prominence of the notion of responsibility, the commitment to institutional involvement, and the desire for international legitimacy. These features are eminently manifested in China's international strategy, which puts a premium on generally status-quo-oriented activism in foreign affairs."⁶⁹ China's multi-coloured world vision includes international diplomatic consensus, which positively impacts the protection of national interests and security. They see a geopolitical system composed of several political ideologies, differing socio-economic structures where the smaller and weaker nations will still prosper, and where there can be a sharing of information through open networks and dialogue within a peaceful coexistence. China's foreign policy statement includes several new phrases such as "common interests, cooperative security, win-win diplomacy, globalization, interdependence and coordination".⁷⁰ As China emerges under the watchful and nervous eyes of the Bush Administration, this is precisely the policy they need to remain on the fringes of international order while the US is occupied with more pressing global matters. Regardless, China's combined military exercise with Russia in August 2005 may be a signal that this peaceful approach to foreign policy is changing. Perhaps this is the quiet approach to the next Cold War, or it may be an indication of changing geostrategic circumstances that will lead to the multipolar world China so desires.

⁶⁹ Deng, Yong. "Better Than Power: 'International Status' in Chinese Foreign Policy". Deng, Yong and Fei-Ling Wang. *China Rising: Power and Motivation in Chinese Foreign Policy*. Maryland: Rowman and Littlefield Publishers, Inc., 2005. p. 62.

⁷⁰ Embassy of the People's Republic of China. "China-US Relations". <http://www.china-embassy.org/eng/zmgx/default.htm>. Internet accessed 8 November 2005.

Russia

Since 1991, Russia has floundered with foreign policy direction. This was part and parcel of the nation's lack of preparedness for 'shock therapy'. At the state level, the Russian administration essentially lost control of all national socio-economic aspects, including their international diplomatic identity. As Andrei Piontkovsky suggests, Russia's problem with finding a direction and getting on productively to meet the challenges are not only geopolitically driven, but there is a psychological dimension that grips all Russians, which "may even predate the Soviet era since the arguments of today's nationalists and liberals merely echo the nineteenth-century debates of Slavophiles and Westerners. In other words, Russia is permanently at a crossroads in its history and having to set a course between East and West."⁷¹ This argument has excellent merit. Situated with two-thirds of its land mass in Asia but with its greatest population concentrated on Europe's doorstep, Russia has been influenced by virtually all aspects of civilization. It finds itself blessed with an industrious and educated population, an abundance of natural resources, access to large bodies of water and good transportation routes, yet it finds itself tangled in domestic quarrels tied to religion, culture and criminal activity. At one point or another, conflicts have erupted on its east, west and southern borders. Russia now has borders with fourteen other countries. Developing a sound foreign policy to lead the country forward is a tremendously daunting task and one that Piontkovsky argues was 'tranquillized' during the cold war.⁷²

Russia's desire to become the region's dominant geopolitical power following the Soviet break-up was a natural instinct having played the dominant role within the Union. However, failure on the part of government to quickly establish a foreign policy strategy, as

⁷¹ Piontkovsky, Andrei. *"East or West? Russia's Identity Crisis in Foreign Policy"*. The Foreign Policy Centre. January 2006. p. vi.

⁷² *Ibid.*, p. vi.

well as solve domestic unrest and economic issues set the conditions for a difficult start to domestic reforms. As Russia came to the realization that it had lost much of its great-power status and was no longer a peer competitor of the US, it withdrew from many of its international commitments.⁷³ Consequently, by 2000, Russia was retracting into the shadows of its predecessor and attempting to surround itself with other anti-west states. Putin began to display autocratic symptoms, regaining significant government powers in certain sectors and placing pro-Moscow men into regional positions of authority. Russia's foreign policy began to carry an anti-west, anti-American sentiment, although he fully understood the importance of both to Russia's future. Like China, Russia looked upon the Kosovo campaign with similar disdain. Russia took exception to US and European criticism to the ongoing war in Chechnya and was disturbed and threatened by the pressure placed on them by the US to modify the Anti-Ballistic Missile (ABM) Treaty in order that the US could continue to develop its Ballistic Missile Defence Program. Russia has also been extremely concerned with what it assesses to be the eastward expansion of NATO, fearing at some point Western lead nations would eventually surround Russia entirely.⁷⁴ Further, this anti-US message was beginning to be expressed through joint communiqués with other like-minded countries to denounce US unilateralism, US foreign policy initiatives, and US domination of the world economy. Perhaps not surprisingly, Russia began to bond more closely with its rising neighbour China. Besides solving longstanding border issues, the two signed a number of treaties and formed a regional organization to signal to the US and the West that there were several issues that they considered paramount to global stability. Like China, Russia's

⁷³ Bendersky, Yevgeny. *"Russia's Future Foreign Policy: Pragmatism in Motion"*. 4 May 2005. http://www.pinr.com/report.php?ac=view_report&report_id=293&language_id=1. Internet accessed 18 February 2006. p. 2.

⁷⁴ Falkenheim Meyer, Peggy. *Sino-Russian Relations Under Putin*. Burnaby: Simon Fraser University CANCAPS Papier Number 24: March 2000. p. 2.

foreign policy strategy calls for a multilateral world with openness, peace and prosperity. But Russia's attachment to China and the Asian organizations may be nothing more than a venue for displaying discontent with the present geostrategic order. As Pointkovsky speculates, "on the whole, all of Russia's historical Eurasianism is an expression of its anger with the West, and for the Russian elite, nothing more than a psychological outlet."⁷⁵

This argument may indeed be correct given the fact that Russia continues to move within many of the West's international forums where the benefits undoubtedly prove greater than its other relations. But Russia is aware that in comparison to its Soviet past, the West demonstrates far less interest in Russia in comparison to other global issues such as the war on terror, the wars in Iraq and Chechnya, and the rise of China. This no doubt comes as a blow to Russian pride. What Russia ought to do is reform its foreign policy on the realism of today's threats which include radical religious fundamentalism and terrorism exported through its own break-away republics, rather than its preoccupation with US dominance. It is in this realm that Russia could use its national security apparatus as an extension of its foreign policy to work in concert with the West. Through a security forum such as this, Russia's national security is enhanced while at the same time efforts could be made to partially reduce US unilateralism through security relationships, at least in the regions Russia considers to be its backyard. Russia needs to accept the realities of the present day geopolitical order and work productively with others to bring about the world they envision themselves being part of.

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Pointkovsky., p. 6.

Analysis

With respect to foreign policies, China and Russia are in many respects the same, yet completely different. Both countries promote the same global vision; largely in regard to a multilateral world order with openness and opportunity, an inherent right to state sovereignty and where the type and rule of government is an domestic matter. Both see the elimination of US unilateralism as the key to success and global re-affirmation for the wide and productive use of institutions to solve conflicts, be they diplomatic, informational, military or economic issues. Sino-Russian relations appear more superficial than binding. The Russia-China Friendship and Cooperation Treaty signed by their respective presidents on 16 July 2001 is nothing more than a bilateral declaration that the two nations should assist one another when feasible. The treaty outlines five areas of mutual interest: joint actions to offset perceived US hegemonism; demarcation of the shared and long-disputed 4,300 kilometre border; arm sales and technology transfers; energy and raw materials supply; and the rise of militant Islam in Central Asia.⁷⁶ The treaty does not include any agreement to respond with armed assistance should one of them be threatened militarily. This is a clear indication that an element of mistrust still exists and signifies a divergent approach to their respective foreign policies.

China has developed its own unique elements of national power. The CCP has a strategic plan that for the time being is supportable and achievable should they stay the course. This anticipates that a catastrophic event (a move by Taiwan to separate, an unpredicted North Korean side-show, or a confrontation over US intervention in Asian-Pacific affairs) does not occur which could derail China's progress. China appears to have

⁷⁶ Cohen, Ariel. "The Russia-China Friendship and Cooperation Treaty: A Strategic Shift in Eurasia?". 18 July 2001. <http://www.heritage.org/Research/RussiaandEurasia/BG1459.cfm>. Internet accessed 8 November 2005. p. 1.

adopted and adapted to the fundamentals of the 21st century. Globalization is working, the economy is booming, the military is modernizing and restructuring, the population is educated and increasing their personal wealth, there is a nationalist fervor amongst the population that government is capitalizing on, the 2008 Olympics will be hosted by Beijing, and the government is networking internationally at virtually all levels. These are the elements of great-power politics which permit a state to launch a foreign policy that is credible and one that other countries will note. By maintaining this momentum, the Chinese could force global change in their favour. At the present time, it appears China is garnering the right attributes to make a geopolitical difference, but China must be cautious of the international impression of its human rights record and the suppression of religious freedoms.

Russia, on the other hand, presently lacks the credibility required to back a foreign policy which calls for dramatic changes to the global order. Under Putin, Russia has sought greater integration into the globalized world but he continues to meet resistance as some nations remain skeptical about his true commitment to reforms and his dependencies on old-style Soviet government practices. The world watches as his administration reclaims powers and sets structures in place to control more of the economy. In sharp contrast to China, Russia's economy is dithering, propped up by a narrow base of resource and defence industries. The manufacturing sector is dilapidated and there appears to be little re-investment. This domestic problem adversely affects Putin's international credibility. Criminal activity appears widespread with little indication the problem is being tackled seriously. This negatively affects direct foreign investment. The population is declining and the Russian Far East is experiencing net migration from one of the richest natural resource regions opening the prospect of an influx of Chinese across the border which will cause

undue hardship for the region and possibly raise tensions between the two countries. This becomes a foreign policy friction between two countries who are trying to work collectively to counter-balance US dominance. Unemployment and inflation remain high and the war in Chechnya rages with allegations of human rights abuses by Russian forces. Unfortunately for Russia, not having their domestic concerns in order detracts from the credibility and standing of their foreign policy. Analyst and author Piontkovsky is correct in suggesting that Russia has not assessed its foreign policy in today's geopolitical climate, choosing rather to base it on historical contexts rather than making a hard choice and instead, opting to live in a schizophrenic state not really comprehending whether it associates with Eurasia or the West.

When analyzing Chinese and Russian foreign policy framed by interactions and relations with other states, it becomes more obvious that the similarities in Sino-Russian foreign policy tend run along themes of convenience and dissatisfaction with the present world order. By presenting like-minded concepts, the pair offers a collective approach to countering US unipolarity. Many of the extensions of this common thought appear to be nothing more than joint communiqués sniping at US hegemony. Conversely, there are distinct differences in the way each nation executes their foreign policy initiatives. Whereas China has assumed an internationalist approach to its foreign relations signaling openness to working with others, Russia appears to have retracted to a more isolationist stance instilling a sense of suspicion surrounding their true intentions. This hardened approach to relation-building will do little to enhance the progressive international results Russia seeks. Consequently, there is little possibility of a Sino-Russian alliance forming to challenge US unilateralism based on like-minded foreign policy, other than the periodic release of joint diplomatic rhetoric.

Chapter 3 – Defence and Security Issues

Section 1 - Military

China

The Chinese military is undergoing a massive transformation and modernization process similar to most elements of Chinese society. Under cover of a relatively quiet international atmosphere, at least in the Asia-Pacific region, China is selectively re-equipping and re-shaping its forces. The CCP is under no illusion that the military is essential to Chinese national power, its foreign policy and vital to its domestic, regional and global security. Chinese National Defence Law identifies six components to the military objective: modernize; defend China's territorial sovereignty; deter and resist aggression by global and regional hegemon; support the CCP's reunification policies; ensure domestic security and stability; and support the national economic modernization program.⁷⁷

With this sort of 'broad-brush' mandate, it is difficult for analysts to paint a clear picture of China's actual military intent, but it is clearly aimed at maintaining its territorial integrity (Taiwan) and discouraging outside interference (US, India or North Korea). A US Pentagon report of July 2005 speculates that China's short-term ambitions are "preventing Taiwan from asserting its independence and dissuading other countries, namely the United States, from rushing to the island's defense if a military conflict occurs in the Taiwan Strait."⁷⁸ "The People's Liberation Army (PLA) is the world's largest armed force with a total strength of 2.5 million men and women serving in four arms - ground force, air force, navy, and strategic missile force. This force also deploys 8,000 tanks, 4,000 armoured

⁷⁷ US Defense Secretary. "*RS19. Military Modernisation of China*". Report by the US Defense Secretary. <http://www.ukdf.org.uk/regional/RS19.DOC>. Internet accessed 30 November 2005. p. 2.

⁷⁸ Boese, Wade. "*United States Unsure of Chinese Military's Modernization Aims*". September 2005. http://www.armscontrol.org/act/2005_09/ChinaModernization.asp. Internet accessed 8 November 2005. p. 1.

vehicles, and 25,000 artillery guns and multiple rocket launchers (MRLs).”⁷⁹ The emerging Sino threat is somewhat reduced by China’s foreign policy strategy which promotes the employment of active multilateral diplomacy and cooperative economic ties through international institutions and organizations as a means to promote regional and global peace and security. However, from its Cold War vantage point, China knows all too well that to have a voice at the international table requires the backing of substantial military support. Although more open diplomatically than Russia, China appears to have masked 2005 defence spending which was posted at US \$20 billion; a figure which the Pentagon contends is actually in the neighbourhood of US \$90 billion⁸⁰ and which prompted US Defence Secretary Donald Rumsfeld to respond prior to his October 2005 state visit to China that “I think it’s interesting that other countries wonder why they would increase their defence effort at a pace they are and yet not acknowledging it.”⁸¹ China did not provide a rebuttal or further insight into their military plans.

But what is known is that China is purchasing modern equipment, munitions and technology from Russia. This includes eight Kilo-class diesel-electric submarines bringing the total to twelve, 150 advanced combat aircraft, two destroyers (with two more on order) and more than 1,000 missiles of various types, including some air-defence systems with ranges greater than the 160 kilometre Taiwan Strait.⁸² Also alarming, is a newly released fact that Israel is supplying military hardware to China with servicing contracts attached,⁸³ demonstrating China’s success at networking with US allies. China also continues to

⁷⁹ Chinese Defence Today. <http://www.sinodefence.com/army/default.asp>. Internet accessed 19 February 2006.

⁸⁰ Ibid., p. 1.

⁸¹ CBC News. “*China Military Spending Larger Than Reported: Rumsfeld*”. 18 October 2005. http://www.cbc.ca/story/world/national/2005/10/18/china_rumsfeld051018.html. Internet accessed 8 November 2005.

⁸² Boese., p. 1.

⁸³ Ibid., p. 1.

upgrade and modernize through its domestic defence industry, changing many of its ballistic missiles from liquid to solid propellants which will improve arming response times and increase ranges. Although dated, much of China's land force equipment will undergo retrofit to include upgraded firing systems, optics and kinetic munitions improvements. China is also attempting to improve its Electronic Warfare (EW) and Information Technology (IT) capabilities across its forces and is quickly turning its attention to both the use and denial of space.⁸⁴ China is also developing improved amphibious capabilities and restructuring assault forces to mobilize and deploy rapidly, again, reflecting a response to a Taiwan scenario.

China has also refocused its research efforts in areas other than its kinetic and nuclear based weaponry looking to developing new-concept weapons, namely: lasers, electromagnetic, microwave, genetic, biotechnological and nanotechnological systems.⁸⁵ This overhaul and modernization process, while widely adapting to the high technology battlespace, will come at a cost both financially and in terms of personnel reductions which will affect the ranks of China's unemployed. As analyst Frank Moore speculates, China's program has its limitations sighting an equipment rust-out and retirement rate which exceeds acquisition rates; a piecemealed and slow modernization program with tremendous training and integration bills attached; insufficient quantities of 'new' equipment that will not have a dramatic influence of the balance of power; and an external dependence on advanced technology and equipment, signaling an unsupportable domestic defence industry which appears counter to the CCP's vision of controlling its own destiny.⁸⁶

⁸⁴ US Defense Secretary., p. 8.

⁸⁵ Fitzgerald, Mary C. "*Commanding Height: China Plans to Control Space and Win the Coming Information War*". http://www.armedforcesjournal.com/story.php?F=1005734_1105. Internet accessed 9 April 2006.

⁸⁶ Moore, Frank W. "*China's Military Capabilities*". Institute for Defense and Disarmament Studies. June 2000. <http://www.comw.org/cmp/fulltext/iddschina.html>. Internet accessed 19 February 2006.

Regardless, China marches forward, transforming its force and expanding military relationships throughout East Asia. “Beijing has developed a number of military-to-military initiatives, including joint land and maritime exercises with Australia, the Philippines, Thailand, India and Japan; training ASEAN officers at China’s People’s Liberation Army (PLA) military courses; and Chinese-language training for Philippine military officers.”⁸⁷

Similarly, through the SCO China works security issues with its neighbours to the West. Even more daunting was the first combined joint China and Russia military exercise, dubbed Peace Mission 2005, held in August both off and on the coast of China consisting of 10,000 soldiers, sailor and airmen (1800 of which were Russian).⁸⁸ The exercise proposed as an extension of the SCO was aimed at ‘combating terrorism, extremism and separatism,’⁸⁹ yet somehow the scale of the division-size exercise consisting of strategic bomber over-flights dropping precision guided munitions, amphibious landings, parachute drops and complete sea denial operations looked more like an invasion of Taiwan and an effort to repel support forces. As Yu Bin exposes,

in bilateral terms, the joint exercise was in many respects an outcome of a much expanded military-to-military relationship, which, ironically has been rather lopsided toward confidence-building and Russian arms sales to China. The two militaries actually do not share much in terms of operating principles and military doctrines. Nor do they have any idea how their multi-service and high-tech units and weapons platforms would communicate, let alone coordinate, with one another. Indeed, officers and men of the two sides are more proficient in English than in one another’s languages.⁹⁰

⁸⁷ Dillon and Tkacik., p. 5.

⁸⁸ Cohen, Ariel and John J. Tkacik, Jr. “*Sino-Russian Military Maneuvers: A Threat to U.S. Interests in Eurasia*”. 30 September 2005. <http://www.heritage.org/Research/RussiaandEurasia/bg1883.cfm>. Internet accessed 8 November 2005.

⁸⁹ Ibid., p. 4.

⁹⁰ Bin, Yu. “*Russia and China Together Again, Gingerly*”. 6 September 2005. <http://yaleglobal.yale.edu/display.article?id=6223>. Internet accessed 9 November 2005. p. 4.

By all appearances, this exercise looked more like a Russian arms bazaar providing Chinese leaders and soldiers the opportunity to be exposed to some of the advanced equipment available on the Russian market. At the same time, China was able to demonstrate, largely to the US and Taiwan, but also to all South-East Asian nations that China possesses, and is serious about, military power and is capable of working with other military powers in a combined joint operation. As Chinese academic Jin Canrong reported, “the main target is the United States. Both sides want to improve their bargaining position in terms of security, politics, and economics.”⁹¹ In all likelihood there will be more combined exercises as China develops its network of potential coalition allies and comes of age militarily in its rise to be a great-power.

Russia

Much like China, Russia sees itself with a formidable military force capable of projecting hard-power when required, either as an extension of its foreign policy or in the interests of security. Unfortunately, what the Soviet Union was, and what Russia is now is vastly different. Like other elements of Russian society the transition is difficult for most Russians to comprehend and accept. Following the Soviet collapse, Russia’s military faced massive challenges and finds itself struggling to understand where it fits geographically. Following the break-up of the Soviet Union, it became apparent that the Russian military was substantially less effective globally than the former Red Army. For Putin, the only real alternative was to structure a foreign policy to join the chorus of countries advocating for a multilateral world order.

⁹¹ Cohen and Tkacik., p. 2.

Following 9/11, Russia eased its anti-west rhetoric to assist the US in the War Against Terror. In Chechnya and in Moscow, Russia had experienced similar situations with militant Islam emanating from the fragile Caucasus region bringing terror into the Russian streets and aboard civilian aircraft. But Russia remains wary of US intentions, its presence and influence in Central Asia in its border states and of NATO's eastward shift. These fears coupled with Russia's poor economic situation have influenced Putin to resurrect the Russian defence industry.

As the Russian economy slowly improves so does the defence budget signaling a continued effort to reform and modernize. In 2004, Russia spent US \$14 billion and in 2005 nearly \$19 billion on defence, equating to between three and four percent of the GDP.⁹² Russia also benefits from its substantial arms sales to China and Iran lowering the overall costs of its own production. Although much of the defence budget is spent on salaries and maintenance, the Russians are developing new submarine launched ballistic missiles, likely to be carried in the new Gepard nuclear submarine and new vehicles, weapons and reconnaissance systems for its ground forces still embroiled in Chechnya.⁹³ This new equipment will cause concern for US carrier fleets. Although, the defence industry lags behind that of the US in terms of capacity and sophistication, it is more highly advanced than many other defence industry competitors. Another signal of reform is the restructuring of the military's personnel system starting at the top with a significant reduction in the number of General officers from 10,000 down to 7,200 meaning there will be some financial relief through the reduction of top salaries and housing expenditures.⁹⁴ Similarly, the Soviet designed split between military and political offices will disappear with the military being

⁹² Jane's Intelligence Review. "*Reconstructing The Russian Military*". March 2004. p. 54.

⁹³ Ibid., p. 55.

⁹⁴ Ibid., p. 56.

forced to fall in step with the political agenda through the Minister of Defence rather than following the Chief of the General Staff who was relieved of duties by Putin in 2004.⁹⁵

One of the most significant transformation concepts is moving the force towards becoming a well-paid professional Armed Force – or contract soldiers, rather than today’s poorly trained, largely conscript force. By 2008, Russia expects to have one quarter of its force converted to contracts accounting for 147,000 personnel.⁹⁶ But the level of pay, training, equipping, education and quality of soldier will be something to watch for. Unless Russia seriously commits to these reforms, the military will have difficulty attracting young volunteers to its ranks. As was noted in Rand Publication, ‘Assessing Russia’s Decline’, “...the Russian armed forces insist on maintaining a first-world military on a third-world budget. ...Russia spends some \$4000 per soldier per year whereas the United States spends 45 times that on each soldier...”⁹⁷ This is a clear indication that Russia significantly trails US military defence spending and, for that matter, the several countries that exist between the two standards.

Russia has injected new cash for exercises and training demonstrating that it is prepared to once again venture beyond its borders and territorial waters to ‘show the flag’ and participate, surprisingly, with strategic partners such as NATO on naval manoeuvres. The pitfall with this concept is that much of the Russian doctrine, force planning and centralization of authority still exists, leaving the scale of their participation limited.⁹⁸

⁹⁵ Jane’s Intelligence Review. “*Russia’s Emerging Security Doctrine*”. October 2004. p. 46.

⁹⁶ Jane’s Intelligence Review. “*Reconstructing The Russian Military*”. March 2004. p. 55.

⁹⁷ Oliker, Olga and Tanya Charlick-Paley. “*Assessing Russia’s Decline: Trends and Implications for the United States and the US Air Force*”. RAND Publications. 2002.

http://www.rand.org/pubs/monograph_reports/MR1442/. Internet accessed 9 November 2005. p. 67.

⁹⁸ Jane’s Intelligence Review. “*Vladimir Putin’s Naval Rehabilitation Challenge*”. January 2005. p. 46.

Nonetheless, cash injections and international training participation are not the panacea for the military. There remains nagging issues within the organization emanating from the fact that Putin has never been a strong supporter of the forces, having spent his previous career with the Secret Service (KGB/FSB). Moreover, Putin's association with the US regarding the War on Terror following 9/11, consideration of the US' withdrawal from the ABM Treaty, and base closures in Cuba and Vietnam came as suspicious for many of the military elite. This was reinforced with Putin's removal of the Chief of the General Staff position and his replacement of the Defence Minister with another KGB veteran. Putin is also reported to have few military personnel on his inner circle and has been so bold as to have transferred the overall responsibility for the Chechnya War to the FSB while military commanders remain in operational and tactical control.⁹⁹ This complicated chain of command could further exacerbate the difficulties the Russian forces are experiencing in Chechnya.

Russia also maintains its Cold War inventory of nuclear armaments and is quite satisfied that this capability remains an extension of its foreign policy and a strong deterrent in its national security arsenal. Unlike China, Russia's "...military doctrine does not preclude the use of nuclear weapons as a last resort, even if the other side has not used, and has shown no intention of using, nuclear weapons."¹⁰⁰ There is no reason to believe that this posture will change in the near-to-mid term timeframe.

Without doubt, Russia's military is in a state of disrepair and is disorganized. However, Putin continues to create dialogue regarding its reform, transformation and

⁹⁹ Olikier and Charlick-Paley., p. 63.

¹⁰⁰ Ibid., p. 75.

rejuvenation; the seriousness of which has yet to be determined. In short, the military remains one of Russia's prized assets and has a proud and respected history.

Analysis

For both China and Russia, the military is a vital component of national power and a necessary requirement to be an elite member of the world's great-powers. China has tremendous numbers of personnel and equipment but lacks technological sophistication and inter-operability. Moreover, their conventional equipment is dated and, in some cases, considered obsolete on today's modern battlefield. Their troops have little to no combat experience. Although China is re-equipping and retrofitting, its acquisitions are selective and piecemealed and tend to take an inordinate amount of time to field. Training soldiers on the newly introduced equipment consumes more time suggesting that China's levels of readiness do not appear to be short-term. China's willingness to conduct combined and joint training exercises suggest that they are ready to progress to another level within the regional, and perhaps, global context. Their military-to-military exchanges demonstrate an effort to take a multilateral approach to relations and a new openness rarely exhibited.

Likewise, Russia is equally concerned with its military power and global perception. Similar to most elements of Russian society, the military appears to struggle for financial backing, resources and government support. By all appearances, Putin continues to reinvest defence dollars into other socio-economic programs and is unwilling to bring military supporters into his inner power circle to help steer coordinated capital projects and spending. It is little surprise, then, that Russia's military struggles. As diversified as Russia's defence industry is, it is propped up by foreign sales and cash and equipment continue to flow in support of the Chechnya conflict. A positive aspect to the war in Chechnya, if there is such a

thing, besides the cash and equipment, is that the Russian troops gain valuable combat experience and the theatre of war provides an excellent test-bed for new equipment and technology, which can be sold to other countries, like China.

Overall, a combined Sino-Russia coalition would be a formidable force; however, there are too many missing variables to be realistic. They have no common operating language, their equipment, although similar in many circumstances, is uniquely different, their doctrine and tactics are dissimilar, and their command, control, computers, communications and information (C4I) systems are incompatible. Other than the potential adversary, the two nations have nothing in common. Militarily, in the near-to-mid term, an alliance between China and Russia does not pose a significant threat to US unipolarity.

Section 2 – Dissident Nationalism

China

The terror caused by 9/11 was an alarm for many nations signaling that Islamic fundamentalism was an extreme global problem. When China assumed control of the Xinjiang province (20 percent of China) in 1949, they also acquired the fledgling Muslim separatist movement as well. This rebel movement is largely led by the local native population, the Uighurs.¹⁰¹ China's attempts to contain this problem have proven costly with frequent incursions by security forces to quell uprisings and riots, to make arrests and seizures and as reported by one journalist, "to execute upwards of 190 people convicted of acts of terrorism".¹⁰² Like most issues regarding national dissent, many of the details and accurate reporting has been muted by Chinese authorities. The CCP has also attempted to

¹⁰¹ Nankivell, Nathan. "China's Muslim Separatists: Terrorists or Terrorized". Maritime Forces Pacific Headquarters. February 2002. p. 1. Most radical Muslims believe in a Theocratic state which could pose a significant problem for the secular CCP.

¹⁰² Ibid., p. 1.

placate the Muslim population of 93 million by providing regional infrastructure; however, the relocated Han Chinese population continues to hold most positions of authority and is awarded the majority of the state coordinated construction projects. There is little economic growth in the province compared to major Chinese cities and coastal regions and many Muslims are opposed to China's anti-religion policy, setting the right conditions for an explosive situation.¹⁰³ The trend of ignoring the needs of the Muslim population is expected to continue as China looks to further develop the western provinces estimated "to be the second largest domestic source of energy in China".¹⁰⁴ This will result in another net migration of Han Chinese to the region further diluting the Muslim population and expanding China's dominance over the region.

Xinjiang Province borders on Tibet, Qinghai, Gansu, Mongolia, Kazakhstan, Kirghizstan, Uzbekistan, Tadjikistan, Afghanistan, Pakistan and India. Due to the proximity of several neighbouring Muslim countries, the influence of Islamic fundamentalism, terrorist training and techniques has migrated inside China's borders with typical targets being the Han population and the isolated government installations. "Consequently, Beijing has used all means available to enforce its communist authority within its domestic borders."¹⁰⁵ Ultimately, issues of domestic security and the stemming of international support to Muslim fundamentalists and separatists are key agenda topics at SCO meetings. China and Russia suspect a great deal of their Islamic related problem is supported by fundamentalists from the other four SCO member countries. For the CCP, the Xinjiang

¹⁰³ Oh Hassig, Kongdan and Caroline Ziemke. *"Far East and Middle East: An Investigation of Strategic Linkages"* Institute for Defence Analysis – Defence Threat Reduction Agency. September 2002. p. 18. Besides the Muslim problem, China has the Falun Gong movement estimated at two million people, who neither subscribes to a particular religion or political party, but rather a homeopathic or yoga type lifestyle. Regardless, this sect of Chinese society has been banned.

¹⁰⁴ Nankivell., p. 2.

¹⁰⁵ Ibid., p. 2.

battle is a must-win situation. The loss of Xinjiang Province could be the impetus for other provinces with similar desires to act leading to a fracturing of the country. Two provinces that have signaled a desire for independence are Tibet and Taiwan.

The Tibet separatist movement has smoldered in the Chinese psyche for over fifty years. What is at stake is a strategic mountainous region that acts as a buffer between Central China and India. Through forced resettlement the CCP has relocated hundreds of thousand Han Chinese amongst the six million Tibetans. It has also positioned nuclear weapons on Tibetan soil. A largely practicing Buddhist population lead by the revered Dali Lama (who has lived in exile for many years), Tibet continues to press, largely peacefully, for independence, democratic elections and a 'Western-styled' government. However, the CCP continues to rule with an 'iron fist'. The Tibet issue is raised intermittently by foreign states lobbying on behalf of the Dali Lama who tends to work through diplomatic channels rather than directly with CCP officials. It is not expected that a radical change to the Tibet situation will occur in the foreseeable future, nor does it appear to have the potential to become a flash point similar to the Taiwan independence problem.

Taiwan is China's most consuming concern related to dissident nationalism. Governed differently than other Chinese provinces, Taiwan has been a hot bed of dissension towards mainland Chinese authority. The governing party of Taiwan, The Republic of China (ROC), frequently threatens separation through rhetoric and demonstrations, as well as having gone so far as to acquire its own military capability (formidable in terms of provinces) to reinforce its message of independence. The ROC has always considered itself the legitimate government of the island of Taiwan; while on the other hand, the People's Republic of China (PRC - which succeeded mainland China ROC in 1949 and is now

governed by the CCP) claims to govern all unified Chinese territories.¹⁰⁶ Political confusion surrounded by murky constitutional issues, a myriad of political parties, and ambiguous circular debate has dragged the problem into the international arena. The Taiwan issue has been ruled on by the United Nations resulting in the release of Resolution 2758 which states “Recognizing that the representatives of the Government of the People’s Republic of China are the only lawful representatives of China to the United Nations, PRC is formally granted the sovereignty of all China including Taiwan.”¹⁰⁷ Thus, it is within the legal rights of the PRC (now the CCP) to use force, if necessary, to ensure territorial integrity is maintained. But the debate does not end there. The ROC party maintains that it is the original governing body, and ROC representatives in Taiwan are the only persons authorized to guide Taiwan’s destiny. The current President of Taiwan believes “that Taiwan is an independent, sovereign country with a view that Taiwan is a Republic of China.”¹⁰⁸ Within international diplomatic forums, most Western nations use verbiage to express support for ‘one China’, but seldom enter into debate as to whether they oppose Taiwan’s separation or not. Regardless, all states promote a peaceful resolution to the problem.

For the time being, China is poised to use substantial force to thwart a move of independence in any sense; if Taiwan were to be invaded and occupied by a foreign country; or if Taiwan refuses reunification negotiations indefinitely.¹⁰⁹ Taiwan continues its military build-up and modernization programs independent of China and lobbies support from other nations when appropriate. Yet, based on China’s rapid military rejuvenation programs, analysts have downgraded Taiwan’s chance of independent survival in a full-blown conflict

¹⁰⁶ Wikipedia, The Free Encyclopedia. “*Political Status of Taiwan*”. http://en.wikipedia.org/wiki/Political_status_of_Taiwan. Internet accessed 19 February 2006. p. 2.

¹⁰⁷ Ibid., p. 4.

¹⁰⁸ Ibid., p. 5.

¹⁰⁹ Ibid., p. 8.

from three months to six days.¹¹⁰ For the time being, confusion and circular rhetoric continue to cloud the issue. Despite the consequences, substantial energy, finance and military focus are expended on the Taiwan problem. Overall, China's combined problems of dissident nationalism consume tremendous resources and detract from its overall international great-power status.

Russia

Russia has experienced serious open conflict with dissident nationalism since 1994 when the Caucas Republic of Chechnya announced independence and took to arms following the arrival of Russia forces. The initial war was declared over two years later with the almost complete destruction of the Chechen infrastructure and local economy. Over the course of the war, the local population who initially supported the 1994 arrival of Russian forces had come to vehemently despise them due to their widespread destruction and inhumane treatment of fellow Russians. The primary issue behind the war was Chechnya's quest for independence largely driven by a religious platform backed by radical Muslim fundamentalists. For the Kremlin, Chechnya, like most of the Caucasus region, is an economic asset extremely rich in oil and gas and through which Russia maintains its link to the Caspian and Black seas. To permit Chechnya to secede would open the door to other fragile, largely Muslim provinces such as Dagestan, Ingushetia and Kabardino-Balkaria to seek separation. In 1999, the Chechen War ignited again, this time with reinforced fervor and which continues to this day. The separatist fighters now have the support of international radical groups such as Al Qaeda which source money, equipment and personnel into the region. The Chechen fighters have also adapted their tactics to strike at Russia's population

¹¹⁰ Ibid., p. 9.

and the Kremlin; in 2002, rebels took several hundred people hostage inside a Moscow theatre and contributed to the deaths of 130 innocent victims; in 2003, female suicide bombers destroyed two packed civilian aircraft; and in 2004, rebels contributed to the slaughter of hundreds of terrified school children and their parents held hostage inside a Beslan school. There have also been several assassinations of Putin-backed political leaders in a high stakes game of tit-for-tat eliminations.

As reported by Jane's analyst Mark Galeotti, the Kremlin is now openly acknowledging that the separatists and fundamentalists are establishing mutually-beneficial alliances with drug gangs and organized criminals which appear at this point, beyond the capabilities of the Russian security services and the military to deal with.¹¹¹ "Putin and those around him routinely attribute violent attacks in the north Caucasus republics to international terrorism. In fact, what is common to all of these predominantly Muslim regions is the abominable corruption of the local elites, awful social conditions and disenfranchised populations that become easy prey for radical underground groups."¹¹²

Complicating Putin's problems in the Caucasus are the associated Muslim clans, many with centuries-old connections and what has become a fertile breeding ground for Wahhabism (Sunni fundamentalist movement advocating a puritanical and legalistic view of faith and religious practice).¹¹³ This practice appears to be nothing more than vigilante law amongst various groups and complicates determination of who is involved and for what reason. Marsha Lipman reinforces Galeotti's argument that the Kremlin does not know how

¹¹¹ Jane's Intelligence Review. "*Insurgents and Traffickers Build Alliances in Caucasus*". March 2005. p. 46.

¹¹² Lipman, Marsha. "*Putin's Spreading War*". Washington Post 17 October 2005. <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=17604&prog=zru>. Internet accessed 19 February 2006. p. 1.

¹¹³ <http://www.answers.com/wahhabism>. Internet accessed 9 April 2006.

to respond to the Caucasus crisis stating “rather than masterminding a strategy to address these problems, Putin has allowed them to build; he blamed terrorism in the north Caucasus on evil outside forces seeking to weaken Russia because they regard it as a ‘threat that needs to be eliminated’.”¹¹⁴

Putin’s response following the Beslan school atrocity in the Fall of 2004 was to centralize the appointment of regional governors as a means to reduce corruption and increase domestic security. Yet, what seems to have occurred is that the local population now has diminished political access and less local accountability, which may have lead to an “increase in levels of corruption, alienation, radicalism and terrorism”.¹¹⁵ As Robert Ware suggests, “President Putin’s current efforts to recentralize political control through the assertion of a hierarchically-organized political system are likely to further destabilize the North Caucasus because they stand in clear opposition to parochial democratic structures of the region while failing to provide tangible benefits in the area of local security and economic development.”¹¹⁶ Ultimately, Putin risks continued disaffection of the population and exacerbation of regional instabilities which strains both his political and military systems. This domestic crisis retards the progressive development of critical elements of national power so vitally required to perform and compete as a great-power nation.

Analysis

China and Russia suffer dissident nationalism issues that threaten the future of their respective states. Both governments respond through the use of force, or at least the very real threat of force, as in the case of Taiwan, and leave little room for negotiation or make

¹¹⁴ Ibid., p. 2.

¹¹⁵ Ware, Robert Bruce. “*Stepping on the Same Rack: A Historical Analysis of Russian Recentralization in the North Caucasus*”. New Europe Review. Vol 2. Number 4. 2005.
<http://www.cdi.org/Russia/Johnson/9288-18.cfm>. Internet accessed 19 February 2006. p. 1.

¹¹⁶ Ibid., p. 3.

concessions to ease the strains of dissent. Both China and Russia are extremely occupied with the fear of Islamic fundamentalism and appear to be working through the SCO to oppose outside influences rather than working domestically to set the conditions whereby Muslims could have religious freedoms and independent culture to become more productive citizens of the nation state. These fears are compounded by the fact that these rebel provinces are essential to the state's future economic development and are rich in natural resources, provide crucial transit routes, and act as buffers between other potential threatening states.

In the case of China, the problem in Xinjiang province, although for the moment contained, will continue to fester and be influenced by surrounding Muslim states, regardless of SCO cooperation. Should the CCP ignore the Uighurs' desire for religious freedoms and economic opportunities, domestic acts of terrorism will continue and China will eventually invite the wrath of the Muslim world as the US has done in Iraq. Coupled with religion and culture, the Muslim population has not fully accepted, nor been witness to the benefits of globalization and will soon come to recognize China as a 'have' state while many Muslim states remain 'have-nots'. This dichotomy between rich and poor will continue to fuel Muslim resentment and invite continued resistance in the Xinjiang province.

The Tibet issue on the other hand, will likely progress relatively peacefully. The CCP may make concessions to negotiate with the Dalai Lama; however it is highly unlikely they will table the topic of complete independence. A continued Chinese presence and tight internal security within Tibet will continue for the foreseeable future.

Taiwan is the great Chinese wildcard, with some analysts suggesting Taiwan may make a case for separation during the 2008 Olympics hosted by Beijing. The timing would

certainly have the world's attention and the Chinese reaction may draw unprecedented criticism which could adversely affect China's rise in the 21st century. However, this assessment seems unreasonable and it is more likely that both China and Taiwan will continue with the status quo. As a part of China, or as a partner with China, Taiwan is also rising. Taiwan stands to lose more by bringing about an abrupt end to such a momentous and prosperous time. The influence China maintains over Taiwan is not so restrictive that they would risk complete destruction of their economy, livelihood, and quite likely the island. China has sufficient combat power and mental focus to make short work of any resistance, and at this point, it is highly unlikely that the US would move to reinforce Taiwan.

Quite simply, Russia is in a quagmire. Putin is struggling with a century's old problem that is now rooted in religious and criminal underpinnings. The Chechen Wars have resulted in the complete destruction of the region's economy and infrastructure and shattered the population's confidence in the Federation's ability to govern. Putin's recentralization of authority has weakened the Kremlin's control over crime, accountability, fundamentalism and domestic terrorism. Worse, in January 2006, Putin signed legislation bringing into law new measures regulating local and foreign non-governmental organizations (NGOs) working in Russia. The law now dictates that all NGOs wishing to operate in Russia inform the government in advance regarding their intended programs and who will receive assistance. This latest indicator of increasing centralization of authority continues to isolate the Kremlin elites from the population. Putin has simply ruled as the Russian's know how – dominant government - subordinate population.

The Chechnya situation forces the entire Russian population to pay for the problem. Poorly trained conscripts and local fighters are maimed or killed, families suffer and grieve,

and desperate acts of terrorism affect the innocents. The nation's economy suffers and the population's productivity is affected. Putin will continue to place pro-Moscow puppets in positions of authority and he is unlikely to acknowledge that the situation is fuelled by domestic discontent but rather by outside forces determined to attack Russia. Whether this war was caused by an Islamic uprising or merely a dissatisfied region seeking independence and democratic alternatives, it will continue for the foreseeable future and persist to be a drain on Russia's population and resources. Economically and strategically, the resources and routes in this region are too substantial for Russia to lose.

The degree of dissident nationalism within China and Russia is dramatic and cannot be ignored by either government. The prospect of separation of one province or territory threatens the rupture of the entire state. Both governments rule with 'iron fists' and are more likely to crush opposition assuming any destruction as 'a cost of doing business' rather than meet the demands of the dissidents. Given the attention these domestic problems demand, there is little scope for either China or Russia to divert key resources or sustained focus to an alliance significant enough to challenge US power. For the foreseeable future, China and Russia will continue to battle domestic conflicts and use joint declarations, rhetoric and opportunistic military demonstrations to remind the US they resent its unilateral power and policies.

Chapter 4 – Alliance Prospects

What is Causing China and Russia to Form a Closer Relationship?

As some analysts fear, China and Russia are forming closer ties than ever before and the collective power these two nations bring to the geopolitical table may signal a forthcoming alteration of the global world order once again. But the question remains, why after so much turmoil and dispute between the two countries do we see such a quickly developing and warm relationship? A simplistic answer and one which seems the most apparent is Jephraim Gundzik's observation that "the military implementation of the George W. Bush administration's unilateralist foreign policy is creating monumental changes in the world's geostrategic alliances."¹¹⁷ But this is not the sole reason behind China and Russia's efforts to repair their estranged relationship. In fact, China and Russia began to close ranks during the years of the Clinton administration in the late 1990s. By this time, the geostrategic fallout from the break-up of the Soviet Union had for the most part settled and nations were realigning themselves according to the newest evolution of world order. In 1998, former superpower Russia watched as its economy entered into a steep nosedive while China's started in a vertical-climb. Regardless, both states felt detached from geopolitical decision-making and disrespected. This was directly tied to US foreign policy and international behaviour.

This matter manifested itself in 1999 with the US lead NATO bombing of Kosovo, which was executed without UNSC sanction. Adding injury to insult, the Chinese embassy was accidentally struck killing three and wounding twenty. "As a result of the Kosovo crisis,

¹¹⁷ Gundzik, Jephraim P. "*The ties that bind China, Russia and Iran*". <http://www.atimes.com/atimes/China/GF04Ad07.html>. Internet accessed 8 November 2005.

it became clear that the world was far from moving toward multipolarity. Moscow and Beijing arrived at the obvious conclusion that for the sake of the higher priority of opposing the United States and NATO, both countries had to increase efforts to expand their cooperation in all directions, including the military sphere, and at the same time to downgrade existing or potential frictions between them.”¹¹⁸ Both China and Russia took exception to the fact that NATO was now employed as an international mechanism to resolve international crisis outside the UN and such a precedent might upset the balance of international stability. Like Yugoslavia, both China and Russia had similar issues of domestic unrest and the US through NATO, may pose a direct threat to their sovereignty and security. Given that the UN had been largely ignored, it was becoming plainly obvious that the world was moving to a unipolar order.¹¹⁹

Throughout this time, the Clinton administration was attempting to persuade Russia to agree to amendments to the Anti-Ballistic Missile (ABM) Treaty signed in 1972 in order for the US Ballistic Missile Defence (BMD) Program to continue development and testing. The Russians, still leery of US intent and will, did not agree to the proposed terms. But as we have seen in the case of the Bush administration, BMD plans are going ahead without the concurrence of Russia, signaling yet another reason Russia feels isolated from world governing bodies.

Russia is greatly concerned with what it feels to be NATO’s expansion. Likewise, China feels threatened by the US-Japan alliance, the ongoing US presence in South Korea and US relations with Taiwan. This trepidation and growing dissatisfaction with the global status quo was the catalyst for China and Russia to form the SCO with neighbouring nations.

¹¹⁸ Levine, Voskressenski and Wilson., p. 11.

¹¹⁹ Ibid., p. 11.

The assembly formally discusses issues regarding the spread of Muslim fundamentalism and concerns of regional and border security, as well as economic issues aimed at obstructing further US and European encroachment on areas rich in energy and mineral reserves.¹²⁰

Although rumoured to be the start of an 'eastern alliance' aimed at counter-balancing the spread of NATO, the reality is highly unlikely with the real aim focused on regional issues. Regardless, the organization is a reminder to the US that there is a collective voice of dissent to their unilateralist approach to world affairs.

The final, and most likely reason that China and Russia have become strategic partners is economics. China needs energy, raw materials and military (including space) equipment and technology. Russia needs capital and foreign investment. China and Russia also bond in areas related to common foreign trading partners like Iran, who the US is now setting its sights on over uranium enrichments and nuclear power production issues. Both China and Russia invest and trade heavily with Iran and are now conducting a diplomatic balancing act to thwart what they consider hostile US intent based on dominant foreign policy and act as arbitrator to solve the problem, ultimately raising their geopolitical stature in the eyes of the West. As Gundzik hypothesizes, China and Russia see the US 'democratic reform program' as a military means to crush uncooperative states in order to remain as the world's sole superpower. By backing Iran economically and diplomatically, China and Russia can counter US ambitions and disrupt the administration's foreign policy objectives.¹²¹

¹²⁰ Symonds, Peter. "China-Russia Treaty: A Reaction Against Aggressive Unilateralism in Washington". 23 July 2001. <http://www.wsws.org/articles/2001/jul2001/chin-j23.shtml>. Internet accessed 19 February 2006.

¹²¹ Gundzik, p. 5.

China and Russia's relationship is one built on mutual benefits; a leveraging of a collective voice and massed national powers to address matters of geopolitical and geostrategic importance which they view as being largely driven by US foreign policy.

Can China and Russia Form an Alliance To Challenge US Unilateralism?

This question is one of the greatest concerns evolving on the geopolitical stage and one which US analysts and academics have widely wrestled with over the past five years. As puzzling as this relationship may seem, alliances in general go against China's most basic fundamental tenet within its foreign policy. In analyzing the Sino-Russia relationship it becomes obvious that there is no motivation to form a military alliance to physically challenge US unilateralism. In fact, China and Russia have not even gone so far as to formulate a collective security agreement or a mutual defence plan other than regional security issues related to Islamic fundamentalism. However, that is not to say that there will not be more intensive and aggressive diplomatic posturing against US foreign policy activity, which will likely include an effort to garner the support of more dissatisfied states, as we have seen with the forming of the SCO. Such relationships may include: a China-Russia-Iran triumvirate; a China-Russia-India trilateral alliance; or a BRICS alliance (Brazil-Russia-India-China-South Africa) all with the aim of counter-balancing US unilateral power.¹²² As a means to throw US foreign policy objectives further off balance, China and Russia may also establish unique relations with those states the US considers to be the least likely to adopt their global strategy and policies of accepted behaviour; the so called 'Rogue States' or 'Axis of Evil'. Such a strategy would do little to enhance their geostrategic standing and would

¹²² Chadda, Sudhir. "Russia and China become part of strategic alliance – Putin now looks at BRICS alliance (Brazil, Russia, India, China, South Africa)". <http://www.indiadaily.com/editorial/1627.asp>. Internet accessed 9 November 2005.

likely prove counter-productive to their national goals. Hard-line rhetoric and future combined joint military exercises are likely to continue with the aim of intimidating the US and implying that these alliances pose an option to challenge US unilateralism.

The relationship between China and Russia, as has been previously mentioned, is based on converging mutual interests – security and military modernization, economics, energy and raw material, control and suppression of dissident nationalism, and a multilateral world order with equal global opportunities for all nations. Yet, as Jeanne Wilson notes,

the Russian-Chinese political relationship is thoroughly rooted in classical precepts of political realism, reflecting geostrategic calculations characteristic of balance of power. The Russian-Chinese ‘strategic relationship’ has been crafted, to a large extent, with the intent of seeking to influence the foreign policy behavior of the United States. In fact, both Russia and China are more concerned with their respective relationships with the United States than their relationship with each other.¹²³

Although the Sino-Russia association has emerged as a well stage-managed affair, several frictions between China and Russia remain tantamount. One of these is the growing Chinese population in the border provinces, estimated at 100 million burgeoning against the flanks of the sparsely populated Russian Far East estimated at 6.5 million, creating huge immigration, employment and security issues.¹²⁴ The Russians fear losing terrain to the huge population disparity and what could become a creeping Chinese expansion effort.

A further security issue is the growing contrast in conventional forces. China is rapidly transforming and modernizing its force while Russia tackles problems of equipment rust-out and low soldier morale due poor government support, low pay and the

¹²³ Levine, Voskressenski and Wilson., p. 15.

¹²⁴ Falkenheim Mayer., p. 8.

ongoing war in Chechnya.¹²⁵ Although Russia is China's main defence supplier, it has not sold them the most up-to-date equipment and technology remaining fearful of being completely over-matched by both personnel numbers and equipment sophistication.

Each country executes an individual multilateral foreign policy that seeks to establish counter-balance relations to offset one another's regional ambitions. The expansion beyond a strictly bilateral relationship helps to maintain the Asia-Pacific strategic status quo and reinforces the requirement for integrated economic and diplomatic affairs as part of globalization. One of these common crucial economic allies is the US. As Lyman Miller points out, "Roughly 40 percent of China's exports come to the United States, and China's trade volume with the United States was, by Beijing's own statistics, nearly eight times its trade with Russia. In contemplating resistance to American actions in the global arena that it perceives as potentially threatening, Beijing must also take into account the potential cost such resistance may have in bilateral economic and other ties with the United States."¹²⁶ One could argue that Russia would be wise to consider the same outcomes.

Associated with the friction of economics are China's present energy demands and Russia's stalling on supply expansion, namely the signing of initiatives to construct a joint gas pipeline either directly to China or to the Russian Pacific coast to speed up resource shipments. This interdependence, although a requirement for both China and Russia's economy can also be used as a bargaining tool, or worse as a coercive tool to dominate the other. Russia is well aware of China's increasing dominance in the region and has little interest in forming an alliance as China's subordinate partner. An assembly of Russia's

¹²⁵ Lo, Bobo. "A Fine Balance – The Strange Case of Sino-Russian Relations". April 2005. <http://www.riia.org/pdf/research/rep/R0405e.pdf>. Internet accessed 10 January 2006. p. 5.

¹²⁶ Miller, H. Lyman. "The Limits of Chinese-Russian Strategic Collaboration". Strategic Insights, Volume 1 Issue 7 (September 2002). <http://www.ccc.nps.navy.mil/si/sept02/eastAsia2.asp>. Internet accessed 22 September 2005.

foreign policy lobbyists has argued against setting a policy course which exceeds Russian capabilities and is too one-sided towards China. Rather, the pundits suggest that “Russian foreign policy should seek benefits ‘for the country primarily in its economy’ and not merely respond to ‘challenges and threats in a sphere of traditional security’.”¹²⁷ This is a clear signal that the relationship between China and Russia is not as cooperative as their diplomatic front would suggest.

In recent years, Putin has demonstrated he is capable of managing a well choreographed balancing act. At times, he moves towards China as a counter-weight to US foreign policy initiatives, as in the ongoing saga of Iranian nuclear power and uranium enrichment, while simultaneously snubbing China from the upcoming G8 Summit. As part of a global economy, Russia has no alternative but to remain open to the West regardless of the level of resentment it may foster. Economically, there are greater advantages for Russia to negotiate with the West in the absence of China. But given Russia’s poor record of foreign investment failures, levels of corruption, re-centralization of powers, and ongoing domestic war, Putin’s relation with the West may remain tepid at best. Similarly, China will continue to keep relations with Russia at ‘arms-length’; close enough to grasp when required, but not so close as to constrain its own relations with the West. Both states see themselves as geopolitical entities actively participating in the shaping of world order. Russia leaves little doubt that it desires to reacquire its superpower status, while China aims to establish itself as one.

China and Russia will continue to broadcast the benefits of their strategic partnership, which undeniably are stronger than ever. Yet, make no mistake that each step of the relationship will be closely assessed as to whose national interest and security benefits the

¹²⁷ Falkenheim Meyer., p. 10.

greatest. As Bobo Lo so clearly states, “today’s strategic convergence in opposing the dominant power of the United States can easily transmute into a different set of strategic imperatives tomorrow. The lack of a ‘values-based’ underpinning in the Sino-Russian relationship could mean that, in times of difficulty, it lacks the resilience to withstand setbacks and downturns.”¹²⁸ For the foreseeable future, the only Sino-Russian alliance to offset US unipolarity will be one based on issues of likeminded foreign policy and rhetoric. When analyzing the geopolitical and geostrategic situation holistically, there is a greater likelihood of each nation turning inwards toward the US, and therefore by extension the West, for improved individual gain. Given their individual economic dependence on the US, and their own requirements to support the global war on terror, it is more likely that, “if a new great power alliance emerges from Eurasia, the United States will more likely be its member than its target.”¹²⁹

¹²⁸ Lo., p. 9.

¹²⁹ Weitz, Richard. “*Why Russia and China Have Not Formed an Anti-American Alliance*”. <http://www.nwc.navy.mil/press/Review/2003/Autumn/art3-a03.htm>. Internet accessed 8 November 2005. p. 12.

Conclusion

For the foreseeable future, the United States will remain alone as the world's sole superpower. In contrast to their complex past and dissimilarities, China and Russia envision a strategic partnering aimed at leveraging power from the US to re-shape the geopolitical and geostrategic landscape. Their multilateral endstate sees a world whereby all nations are afforded equal opportunity to prosper, maintain secure state sovereignty and are free to govern without outside interference in an environment where inter-state relations are conducted through peaceful diplomatic means in internationally recognized institutions.

For the time being, China and Russia use a collective voice in opposition to what they consider to be unacceptable US hegemony. At present, the Bush administration appears to be ignoring their message, but analysts suggest there is no oversight of their developing relations. Unmistakably, the US is concerned about the aspirations of both nations. For now, there is no indication of a threat of a Sino-Russia military alliance forming to challenge US unilateralism. The combined joint military exercise held in August 2005 was little more than an arms exhibition and demonstration; a demonstration to the US that Sino-Russian relations were advancing on all fronts - diplomatically, economically, and militarily - and that military modernization and transformation was in progress, signaling a renewed seriousness with respect to domestic and regional security.

Having considered matters of domestic wealth, international relations, and defence and security issues, it is apparent that China and Russia have serious shortcomings that impede the progress and development of appropriate national power attributes. Until these critical fundamentals are rationalized, China and Russia stand little chance of mounting any significant challenge to present day world order.

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