

Can Russia keep its special ties with Vietnam while moving closer and closer to China?

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Abstract

While entering into a deep confrontation with the West in the context of the Ukrainian crisis, Russia has sought to uphold its international profile by upgrading its strategic partnership with China and adding new economic content to it, first of all in energy deals. At the same time, Moscow is aware of the risks related to becoming a minor partner to powerful China and to diminishing its ability to make its own contributions to forming the global agenda. One way of avoiding too much dependence on Chinese patronage would be to retain and cultivate the traditional ties with Vietnam and perhaps even play a pacifying role in the oscillating Chinese-Vietnamese tensions. Russian energy companies are exploring opportunities for further advancing offshore oil and gas projects in the South China Sea, although the profitability of these projects remains rather low. Russia has delivered two out of six contracted *Kilo* class submarines to Vietnam, but its role as the main provider of weapons may now be challenged by the USA and Japan. The prospects for maintaining or expanding Russia's security and energy connections with Vietnam is thus a demanding topic for analysis, which may throw light also on the all-important trilateral relationship between China, the USA and Japan.

Keywords

Russia, China, Vietnam, weapons sales, alliances, oil, gas, Putin, South China Sea

Introduction

The sudden eruption in spring 2014 and the tremendous resonance of the Ukraine conflict have delivered a profound impact on Russia's domestic politics and foreign policy. While it is the confrontation with the West that demands the prime attention of the leadership in Moscow, the main

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direction for escaping the international isolation and strengthening its positions in this asymmetric confrontation has been found in strengthening the strategic partnership with China, while also re forging ties with smaller Cold War-era friends such as North Korea and Vietnam. This “Russian pivot” has led to calls from some Western geopolitically minded pundits on US President Barack Obama to carry out a more determined effort to confront the “Russia-China Axis” (Schoen and Kaylan, 2014), or to form a strategic partnership with China’s President Xi Jinping in order to prevent China from aligning itself with an aggressive Russia “not just financially but also politically and militarily” (Soros, 2015). The need in securing China’s support has delivered Russia to the position of high strategic and growing economic dependency, which President Vladimir Putin must find acutely uncomfortable and potentially dangerous. With a marginalized North Korea in dire economic straits and other international opportunities (including Japan) being far less promising, the historical Vietnam connection provides Russia’s only hope for preserving an independent role in East Asia and escaping from the track of bandwagoning with China’s expansion. This Russian position goes cross-purpose with that of the USA, as the latter also seeks closer ties with Vietnam as a counter-balancing force to China. The analysis in this article finds that Russia’s dependence on China has made it an unreliable partner for Vietnam, who is likely to privilege the USA, Japan and India as possible partners in its attempts to stand up against China.

The article aims at examining this evolving pattern of political manoeuvring within a world where a power transition is taking place from East to West; the authors do not aspire to fit this pattern into a theoretical framework but seek to combine their expertise in history and policy analysis in order to assess the impact of variegated Russian activities (paying particular attention to Russian sources). It begins with the historical background for the special relationship between Hanoi and Moscow, which characterized the period from the mid-1960s to mid-1980s. Then it looks at Russia’s recent attempts to breathe new life into this bilateral partnership. The article concludes, through an analysis of weapons sales, oil and gas exploration and diplomatic relations, that these attempts have essentially failed. The reason for this is Russia’s dependence on its strategic partnership with China, which increased even further as an effect of the Ukraine crisis (as of mid-2015), which occurred in Spring 2014 just as China and Vietnam clashed over the placement of China’s oil rig some 17 nm from the small disputed Triton island (the south-westernmost of the Paracels) on Vietnam’s claimed continental shelf. Russia’s dependence continued to deepen in 2015, as it was discovered through satellite imagery that Beijing was building artificial islands as forward bases in the Spratlys, in close proximity to islands held by Vietnam.

The heritage of Soviet support to Vietnam

The trajectory of Soviet and Russian policies in East Asia has by no means been linear. Zigzags abound, sometimes driven by shifts in ideological guidelines and sometimes by economic or strategic calculations. Historically, Tsarist Russia’s humiliating defeat in its war with Japan (1904–1905), which inspired Vietnamese nationalist opposition to the French colonial authorities in Indochina, constituted a major setback for Moscow’s ambition to establish itself as an Asia-Pacific power. Yet, even after the devastating civil war of 1917–1922, the newly formed Soviet Union held onto Eastern Siberia and the Maritime Province with the important port city of Vladivostok, and dominated Mongolia. The swift Soviet-Mongolian victory against overstretched Japanese forces at Nomohan (Khalkhin Gol) in 1939 provided the basis for the April 1941 Soviet-Japanese non-aggression (neutrality) pact, which gave Stalin an opportunity to focus his forces fully on the Western front and defeat Germany over four years of high-intensity war. The Soviet victory against Nazi Germany deeply inspired communist nationalists both in China and Vietnam. In August 1945, in fulfilment of a promise given to US President Franklin D Roosevelt at Yalta, Stalin broke the

treaty with Japan and invaded Japanese-held Manchuria. Yet, neither Nomohan nor the destruction of the Japanese Kwantung Army in Manchuria in August–September 1945 could quite compensate for the 1904–1905 disaster. The Soviet leadership felt that its contribution to the defeat of Japan was insufficiently appreciated, instead being attributed to the US nuclear bombing of Hiroshima and Nagasaki.

Moscow was further irked by the refusal of the USA and other Western states to recognize the reality of the astounding victory of Chinese Communists and the People's Liberation Army over the Kuomintang in Spring 1949, and the establishment of the People's Republic of China (PRC) in October, which was followed by Josef Stalin and Mao Zedong's signing of a treaty of strategic cooperation in 1950. The world was reminded of the Sino-Soviet perspective on the outcome of WWII, when President Xi Jinping came to Moscow in the status of the most valued guest in the celebration of the victory against Germany in May 2015 – with scant European representation – and will see more of this reinterpretation of history, when Putin comes to Beijing to celebrate the victory against Japan on 3 September 2015 – with a military parade where Russian troops take part alongside the Chinese (Tønnesson, 2014b).

Siding with the PRC, Stalin decided not to sign the Peace Treaty of San Francisco in 1951, and while it is the issue of the Russian-Japanese dispute over the South Kuril islands that has mostly been the focus of Russian legal-historical debates, what is particularly relevant to this article is the Soviet support to China's ownership of the Paracel islands, which are also claimed by Vietnam. The Paracels are located at almost equal distance from the Vietnamese coast and the Chinese island of Hainan. The northern Paracels were occupied by the Republic of China in December 1946, while France took possession of the southern half on behalf of Vietnam (Annam) one month later. Both of the two Chinese states claimed the whole of the Paracels and so did the French-controlled Vietnam. The Soviet Union provided full support to the PRC.¹

This position remained unchanged – remarkably – throughout the mid- and late-Soviet period, so that Russian geographic maps showed (and still show) the Paracel islands as belonging to China. Strategic importance of these islands became clear to the Soviet leadership through two parallel conflict developments. The first one was the gradual deterioration of USSR's relations with China, which culminated in early 1969 in armed border conflict focused on the Damansky (Zhenbao) island on the Amur River (Yaremenko, 2009). The second development was the escalation of the civil war and US military intervention in Vietnam, in the initial phase of which the USSR and the PRC both provided crucial support to Ho Chi Minh's Democratic Republic of Vietnam. In its war against France and in the early phase of its war against the USA, Vietnam got help mainly from China, but the Soviet Union began a massive support program from the mid-1960s (Gaiduk, 1996: 22–72). The Sino-Soviet rivalry and the chaotic conditions in China during the Cultural Revolution from 1966 onwards made it impossible for Moscow to deliver supplies to Vietnam by land, so numerous convoys of Soviet transport ships crossed the South China Sea to and from the Haiphong port. Much support was also delivered by air and, according to some sources, Soviet intelligence vessels monitored the airspace providing the Vietnam People's Army with advance warning when US B-52 bombers approached (Truong et al., 1985: 168).

Hanoi managed to keep up relations with both the Soviet Union and China even after the Soviet-Chinese split, and Ho Chi Minh's funeral in September 1969 provided an opportunity for China and the Soviet Union to re-establish contact after the crisis following their border clashes. A significant factor in bringing Hanoi to make a definitive choice between its two allies was the Chinese invasion of the southern Paracels in 1974, which until then had been occupied by the Republic of Vietnam (South Vietnam). After Vietnam's reunification and the establishment of the Socialist Republic of Vietnam (SRV) in 1976, Sino-Vietnamese relations quickly deteriorated, and Vietnam opted for entering into a formal alliance with the USSR. The SRV then took the firm stance to

uphold the Vietnamese claim to the Paracels. Neither Hanoi nor Moscow made any official protests against the Chinese takeover of the southern Paracels in January 1974, when the Republic of Vietnam still existed (Kanaev, 2005). They could not take the side of Saigon, and since Hanoi never expected the Paris peace agreement of January 1973 to bring a lasting peace in southern Vietnam, it was keen to maintain Chinese support for its struggle against the South Vietnamese regime. Learning from the experience of losing the Paracels to China, however, North and South Vietnam made sure that the Spratly islands occupied by South Vietnam were smoothly transferred to North Vietnamese authorities in conjunction with the fall of Saigon in April 1975.

By that time American oil companies (led by *Mobil Oil*) had discovered oil off the coast of South Vietnam. Soviet companies took over the exploration and development of the small offshore oil fields, in a joint venture with Vietnam, called *Vietsovpetro*.²

The main test of the Soviet-Vietnamese alliance came in February 1979, after Vietnam had invaded the Chinese-supported Democratic Kampuchea and China, under its new leader Deng Xiaoping, launched an invasion of northern Vietnam in order to “teach it a lesson”. Just as Deng had calculated, the Soviet Union did not react militarily, but it organized an emergency delivery of military supplies to Vietnam (including 400 tanks and APCs and 20 fighters), and the Pacific Fleet established effective convoy traffic across the South China Sea (da Cunha, 1990; Mosyakov, 2014b). In that fluid situation, it would have been possible for a Soviet-Vietnamese force to launch a sea assault and expel the feeble Chinese forces from the Paracels, but Vietnam was too concerned about the course of military operations close to Hanoi (while also being worried about its expeditionary force in Cambodia), and the USSR sought to avoid a direct clash with China, while amassing a tank army in Mongolia (Glazunov, 2014).

The only change in the power projection capabilities for the Soviet Navy after that crisis was that it gained a permanent access to the support infrastructure at the former French and US naval base at Can Ranh Bay, one of the world’s best natural ports.³ The Russian Navy remained there until 2000, but the deliveries of massive support by the Soviet Union ended with Mikhail Gorbachev’s *perestroika* in the years 1985–1989. The USSR did nothing to support Vietnam when China established its first presence on reefs in the Spratlys during 1987–1988, not even when more than 60 Vietnamese soldiers and sailors were killed in a clash with Chinese forces over a submerged reef.⁴ Gorbachev’s visit to Beijing in June 1989 may, however, have influenced the Chinese decision to call off a planned takeover of the Vietnamese-held Spratly islands. Hence, today, out of an estimated 15 naturally formed Spratly features satisfying the legal definition of an island (being above water at high tide), Vietnam occupies six, while the Philippines holds seven, Malaysia one and Taiwan one (the largest one of 46 hectares); China does not occupy any naturally formed islands but has built seven artificial islands on low-tide elevations and submerged reefs (Storey, 2015).⁵ The end of Soviet support to Vietnam and the rapprochement between China and the Soviet Union contributed to a Vietnamese decision to withdraw its forces from Cambodia in 1989, after 10 years of counter-insurgency warfare, and to play a constructive role in the process leading to the Paris agreement on Cambodia in 1991. In that year, China and Vietnam also normalized their relationship. This spelled the end of the special and very close relationship between Vietnam and USSR in the 1970s–1980s, although naval and oil cooperation with Russia continued.

The main influence from the USSR’s involvement in Vietnam, Laos and Cambodia is a significant reservoir of positive feelings towards Vietnam among Russians and a deep mistrust towards China. Concerns about Beijing’s geopolitical intentions mixed with the amazement over China’s spectacular growth (particularly in contrast with the rapid decline of the Soviet economic model by the start of the 1990s) have not disappeared. Another important part of the Soviet heritage was the development of strong academic schools of research on the Asia-Pacific, particularly in the Institute of Oriental Studies (which has a Center for South-East Asia Studies) and in the Institute of the Far

East (which has a Center for Vietnam and ASEAN Studies). A third effect was that a substantial number of young Vietnamese were educated and trained in the Soviet Union. They would keep their language skills and personal connections and presently dominate the upper ranks of the Vietnamese Communist Party.

Russia seeks to chart a new course

The spectacular collapse of the USSR by the end of 1991 left the newly reconstituted Russia with a severe economic crisis and a seriously disorganized foreign policy, which tried to utilize the assets and cancel the liabilities inherited from the bankrupt “super-power”. One of the key directions of these efforts was the improvement of relations with China, and the settlement of border disputes was identified as a key condition for progressing beyond normalization. Moscow made significant concessions in the negotiations, so first the unfortunate Zhenbao (which was *de facto* under Chinese control since the mid-1969), and then the Tarabarov Island and a large part of the Bolshoi Ussuriisky island (near Khabarovsk) were formally recognized as belonging to China (Bruntalsky, 2008). In a parallel effort, President Boris Yeltsin sought to achieve a breakthrough in relations with Japan, seeing it as a major potential source of badly needed investments, but the old problem of the South Kuril islands stood in the way – and it proved to be politically impossible for the struggling Russian leader to make the necessary concession (Sarkisov, 2015; Takahashi, 2014).

Vietnam also sought to resolve its border disputes with China, arriving at a land border treaty in 1999 and a treaty on the delimitation of the Tonkin Gulf in 2000, which still today is China’s only maritime boundary agreement (Tønnesson, 2014a). Russia and Vietnam’s rapprochements with China were parallel but un-coordinated processes. As far as relations between Russia and Vietnam were concerned, the politically shaped economic interactions broke quickly down. The oil cooperation continued, but when Russia left Cam Ranh Bay in 2000, the military relationship was reduced to Vietnamese weapons purchases. The aid-based relationship of the 1980s was not replaced by any substantial trade, even if the agreement on strategic partnership, signed during Putin’s visit to Vietnam in January 2001, aimed at boosting it.⁶ The volume of bilateral trade in 2013 amounted to a meagre US\$ 4 billion, which is less than Russia’s trade with Taiwan (US\$ 6.5 billion) and barely 4.5% of Russia’s trade with China. What emerged instead of the old ties was a network of informal connections and semi-legal transactions, which was briefly exposed in mid-2013, as the problem with illegal migrants exploded in Moscow city politics.⁷ Meanwhile, Sino-Vietnamese trade boomed, and China invested heavily in Vietnam’s development.

The successful post-Cold War demilitarization of the Russian Far East went hand in hand with a devastating economic depression and population outflow. Moscow badly needed to find a way to revitalize this vast and far-away region. A solution was sought in greater opening towards the dynamic economic transformations in the Asia-Pacific, and the September 2012 summit of the Asia-Pacific Economic Cooperation (APEC) forum in Vladivostok was seen as a major opportunity for achieving a “Russian Pivot” (Hill and Lo, 2013). More than US\$ 20 billion was invested in bridges, hotels and other infrastructure projects that were supposed to impress the high-level guests, which included Vietnam’s president Truong Tan Sang, who used the occasion to meet with Vietnamese emigrants living in Vladivostok (Vietnam News Agency, 2012). From the Russian economic perspective, however, the results of the expensive “pivot” were generally disappointing (Dermy, 2012). By 2012, the political effort at setting Russia on the track of modernization had lost steam, and Vladimir Putin’s decision to take back the position of supreme leadership after a period when he had served as prime minister under Dmitri Medvedev’s presidency, was seen by many business leaders as detrimental for the investment climate.

Another serious problem emerged because of the controversial visits of Dmitri Medvedev to the South Kuril Islands as Russian President in November 2010 and as Prime Minister in July 2012. They could not fail to invite angry protestations from Japan (Lukyanov, 2012). The intention probably was to demonstrate Russia's readiness to defend its interests and to engage in the power games according to the competitive patterns emerging in East Asia (Baev, 2011). The symbolic steps had to be substantiated by the build-up of power projection capabilities, and a key point here was the strengthening of the much diminished Pacific Fleet with two *Mistral*-class amphibious assault ships ordered in France, a delivery that in November 2014 was postponed "until further notice" by the French government in reaction to the war in Eastern Ukraine and remains unresolved (*The New York Times*, 2014).

One factor that surely contributed to facilitating Russia's partnership with China and reducing the importance of Russia's links to Vietnam was the alignment of territorial disputes in the region. Russia and China resolved their bilateral boundary issues in the 1990s (Fravel, 2008), while leaving their disputes with Japan unresolved. Thus, they have shared the same adversary for more than 15 years. Vietnam also resolved its land border problem with China as well as the dispute in the Tonkin Gulf, but could not even come close to resolving its disputes with China over the Paracel and Spratly islands and maritime zones in the South China Sea. Vietnam did not, however, have any territorial dispute with Japan, who was keen to prevent China from gaining hegemony in the South China Sea, and thus was a natural ally of Vietnam. Most of Japan's imported oil and gas arrives on tankers sailing through the Malacca Strait and the South China Sea.

In spite of its general alignment with China, Russia sought to profile itself as a helpful neutral power vis-à-vis the numerous maritime conflicts in both Northeast and Southeast Asia (Murasheva, 2013). One available means for boosting Russia's security profile in the region was arms sales, and when China gradually reduced its orders after having learnt to produce high-quality weapons itself, Vietnam became a more promising customer. Its arms purchases are made with the same purpose as in the 1980s: to stand up against China. Since the late 2000s, the Vietnamese have become increasingly worried by China's rising power. What helped to reduce tension for some years was that China and the Association of Southeast Asian Nations (ASEAN; with Vietnam as a member from 1995) signed the Declaration on the Conduct of Parties in the South China Sea (2002), meant to prevent open conflict over disputed islands or overlapping maritime zone claims. In 2008–2009, however, new incidents occurred, stimulating Vietnam's fears. Providing Vietnam generous loans for buying Russian aircraft and combat ships (including six *Kilo*-class submarines) was not only useful for making further advances in the competitive Southeast Asian market, but also for sending China a subtle message on Moscow's ability to play a maverick role (Blank, 2012). However, as Russia's need for Chinese support increased with the Ukraine crisis and the enforcement of Western sanctions, the prospect of an independent Russian role in Southeast Asia vanished. China deployed a deep-sea oilrig in an area claimed by Vietnam south of the Paracel islands just as Russia annexed the Crimea in March 2014. Some Western commentators interpreted this conflation of events as proof of a concerted aggressive behaviour by the "Sino-Russian axis" (Schoen and Kaylan, 2014: xv, xxi). Until the clash with Ukraine, Putin had seemed determined to avoid one-sided asymmetric dependency on China, whose geopolitical ambitions and specific intentions regarding Russia remain an enigma for him.⁸ The Ukraine crisis, however, forced the Russian leader into an ever-closer relationship with China's new leader Xi Jinping, who in return skilfully played down China's principled opposition to Russia's encroachment on Ukrainian sovereignty.

The post-Crimea reconfiguration of Russian Asia-Pacific goals

The swift annexation of Crimea and the violent escalation of conflict in Eastern Ukraine have drastically altered the content of Russian foreign policy, and brought the alignment of powers

worldwide into a situation with some similarity to the first phase of the Cold War, but with China now in an infinitely stronger position. Russian foreign policy, however, is again shaped primarily by the tasks determined by its confrontation with the West, which increases Russia's dependence on China. The impact of the reconfiguration of Russia's policy in the Asia-Pacific is much debated in the Russian expert community (Inozemtsev, 2014; Kuznetsov, 2014). One thing that is clear is that expert opinions have little influence on policy-making, which has become isolated more than ever in the narrow circle of Kremlin courtiers. Instead of strategic assessments, national policy is determined by Putin's idiosyncrasies and mood swings, a situation not dissimilar from the last years of Stalin's reign. In a situation of an acute financial and economic crisis, Putin seems determined to sacrifice Russia's all-important relations with Europe and rely on a combination of military posturing and partnership with China.

One obvious casualty of the Ukraine crisis is the delicate rapprochement between Russia and Japan, which appeared to be on a promising track at the start of 2014, but broke down completely as Tokyo found it necessary to join the Western sanctions regime (Panov, 2014). Far more important, however, is the great leap forward in upgrading the strategic partnership with China determined by Russia's desperate need to secure political support and economic revenues in a situation of falling oil prices and Western sanctions. Beijing has been economic with providing political support and less than generous in expanding economic ties, and although he does not show this in public, Putin must find his deepening dependence upon the super-powerful and inscrutable neighbour uncomfortable.⁹ For Vietnam, its old friend's new dependence on China constitutes a problem. While it seeks to maintain its ties to Moscow, its attempts to balance against China are now anchored primarily in deepening relations with the USA, India and Japan – and in its membership of ASEAN, which in the years 2013–2017 has a Vietnamese General Secretary. Within ASEAN, however, there are widely diverging interests, and the organization seems unable to establish a common South China Sea policy vis-à-vis China. Vietnam now actively seeks to obtain US weapons, and there is a growing sense in Vietnam that open conflict with China is unavoidable.

What is particularly relevant to our discussion of the Russian role in East Asia and the attempts made by Moscow and Hanoi to revive and utilize old ties, is the precedent set by Russia's bold move at seizing a part of territory of its neighbour Ukraine. How could this influence the disputes in East Asia? While maintaining a formal neutrality in relation to the territorial disputes over the Paracels and Spratlys (but continuing to mark the Paracels as Chinese on its maps), Russia has moved too close to China to retain a chance to play an independent role. Vietnam-friendly Russian experts have sometimes expressed muted lamentations about Gorbachev's failure to express at least a soft disapproval of China's actions in 1988 (Lokshin, 2014), but in Russian official discourse that incident as well as later ones are ignored. There is a growing recognition among Moscow-based analysts that a failure of mechanisms of international law in such a stable institutional environment as Europe must resonate in other regions, particularly where power instruments are stronger than the provisions of international law (Tsvetov and Tsvetov, 2013). Assuming that the probability of military conflict in East Asia has increased, Russia seeks to intensify the demonstrations of its military might, even if the sanctions regime has pushed the realization of the *Mistral* deal into a distant future. For that matter, Japan made 533 intercepts of Russian combat planes approaching its airspace in the first half and 369 intercepts in the last three months of 2014 (Reuters, 2015; *US Naval Institute News*, 2014).

The Russian annexation of Crimea and its intervention in Eastern Ukraine run against the East Asian countries' traditional commitment to the principle of non-intervention, further undermining that principle, after it had already been weakened by Western countries' interventions in Africa and the Middle East and their insistence on the "Responsibility to Protect". Both China and Vietnam are committed to the non-intervention principle. For China, this is related to its opposition to any US intervention in North Korea, the Taiwan Strait or in its maritime disputes with Japan, the

Philippines and Vietnam. For Vietnam, the principle is increasingly related to its fear of China. Neither China nor Vietnam has therefore been happy with Putin's Ukraine policy. It also counts in this equation that they have both maintained good relations with Ukraine. In our context, however, the most interesting aspect of this question must be the Vietnamese fear that Putin could have set a precedent for future Chinese behaviour. What Vietnam fears most is that China will again deploy oilrigs on Vietnam's continental shelf or invade Vietnamese-held islands in the Spratlys.

There are few doubts in Moscow that China is actively advancing its interests and constitutes the main source of tension in the South China Sea (Mosyakov, 2014a). There is much sympathy towards Vietnam's efforts at defending its stance and appealing to every available mechanism of international law (Novakova and Loginova, 2014). There is, at the same time, recognition of Vietnam's economic weakness, informed by the lack of success in expanding bilateral trade ties (Mazyrin, 2014). There are also inopportune ideas about strengthening relations with Vietnam, in particular about increasing arms sales (Blank, 2014). What stands in the way of acting upon such ideas is the prevalent perception that the main geo-strategic guideline of Russia's policy is its opposition to US policy, which in turn is the main reason for Putin's immense popularity in China.¹⁰ Every US move in seeking to manage the territorial conflicts in the East China and South China Seas is perceived in Moscow, just as in Beijing, as a hostile action that needs to be countered. In this context, Vietnam's rapprochement with Washington, ambivalent as it is, informs Moscow that its traditional ally is no longer reliable (Leung, 2014).

Putin remains reluctant to come unequivocally down on China's side, but the assumption among informed analysts, both in Russia and other countries, is that there is little that aggrieved neighbours – even backed by an over-stretched USA – can do to stop China's determined work at building bases in the Paracels and even the Spratlys. Beijing sees no effective checks against steadily increasing the presence of its naval and maritime surveillance vessels in the disputed parts of the South China and East China Seas – and even projecting naval power beyond the “first island chain” (Ebbighausen, 2014). Common political sense dictates that there is no point in joining the likely losers, but there is hardly any reflection in Moscow that the same logic may be entertained in Beijing regarding the evolving confrontation between Russia and the West.

Russian politics of oil and gas in East Asia

There has been far less direct exploitation of the infamous “gas weapon” in the Russia-Ukraine conflict (at least up to mid-2015) than the track record from January 2006 and January 2009 would suggest. Perhaps internalizing the effect of the shale revolution, and the increasing strength of the USA in global energy politics, Moscow has shown unusual restraint in manipulating the flow of gas to Europe. Another part of the explanation of this uncharacteristic caution may be a desire to present Russia as a reliable supplier for its East Asian customers. Moscow has long cherished the ambition to become a major source of oil and gas in this fast-growing region, but in the high-pressure situation of the still on-going Ukraine crisis, it has found its options limited to just opening wider channels to China in the rather unforeseeable mid-term future (Mitrova, 2014).

Putin arrived in Shanghai in May 2014 in a desperate need to strike an energy deal and, in fact, secured better parameters of a long-term contract than he had any right to expect. The contract for supplying 38 bcm of gas a year from East Siberia was hailed as the “US\$ 400 billion deal”, but the fall of oil prices (and Moscow stubbornly insisted on linking gas prices to oil) cuts this estimate by about a half (Downs, 2014). Many provisions have remained confidential, however, and as months go by, it is becoming less clear what are the real bottom-lines, so that some experts have started questioning whether a binding agreement was actually made (Krutikhin, 2014). The deal requires Chinese funding for the pipeline construction, and it remains uncertain how much funding China is willing to come up with. It is beyond doubt that rich “green-fields” in Eastern Siberia are hard to

get on-line. With its access to modern technology severely reduced and access to capital markets restricted, Russia cannot hope to make much difference for China before the middle of the next decade. Hence, Putin made a new visit to China on 9 November 2014, this time trying to sell a more immediate deal for delivering 30 bcm of gas per year from fields in Western Siberia (including the recently developed Bovanenkovo) by constructing another pipeline, so that Moscow would acquire a freedom of energy manoeuvre between the European and Chinese markets (O'Sullivan, 2014). Beijing politely agreed to sign a non-binding agreement (essentially just a memorandum of understanding) and followed up with another agreement of the same kind signed during Xi Jinping's visit to Moscow in May 2015, but remains sceptical about this "Western corridor" because there is little demand for additional gas in China's western regions and even more because it does not want to be party to Russia's gas intrigues vis-à-vis Europe.¹¹

In comparison with these extra-large gas deals, Russia's energy business with Vietnam is of limited importance. Yet, in the absence of any energy cooperation with Japan and the lack of access to the South Korean market through North Korea, Russia's Vietnam operations may actually represent its best opportunity for achieving a modicum of diversification of its energy interests in Asia. Vietnam and China have, since 1992, when China issued an oil concession in the Spratly area to the small US company *Crestone*, been rivalling each other for attracting interest from US oil companies (Hayton, 2014: 121–150). They have signed agreements with both sides but are reluctant to follow up with active exploration, partly because of low prospects of striking oil and partly because of the risks involved in the Sino-Vietnamese dispute. Vietnam has in the meantime formed an "informal oil alliance" with India, whose state-owned company *ONGC Videsh* first partnered with the British BP on Vietnam's claimed continental shelf, and in October 2014 signed a deal with Vietnam to operate two new oil blocks (*DNA India*, 2014).

Zarubezhneft, a minor player on the Russian oil arena, has long been implementing small-scale off-shore projects in Vietnam, and during Putin's visit to Hanoi in mid-November 2013, the state-owned champions *Gazprom* and *Rosneft* signed contracts on the exploration and development of several promising blocks on the Vietnamese shelf (Anishchuk and Minh, 2013). The fact that three Russian companies (with far from friendly relations with one another) are involved in joint projects with *PetroVietnam* is not much of a problem in itself, but they have different attitudes and responses to Chinese legal or historical rights in the South China Sea. Russian authorities were caught by surprise by Vietnam's readiness to confront China over the placement of its oil rig south of the Paracels in March 2014, and were upset with the anti-Chinese riots that followed in Vietnam (Kashin, 2014; Vu, 2014). From Russia's perspective it is clearly preferable that China and Vietnam play down their conflict, and cooperate.

The fact of the matter is that Russian oil and gas projects in Vietnam rest on a weak economic foundation. Russia does not need these hydrocarbons for itself, and while it takes a share of profits from exporting oil, it can hardly make any profits by delivering gas to the state-regulated Vietnamese market. Both *Gazprom* and *Rosneft* have limited experience in and outdated know-how on developing off-shore projects or constructing liquefied natural gas (LNG) facilities, while their operational costs are notoriously high, so the incentives for doing gas business are political in nature rather than economic (Dokukina and Skrynnik, 2014). Trouble with China is not among these political incentives. Against a background of thin and uncertain economic ties, the recent invitations to Vietnam to enter into a formal agreement with the Customs Union of Russia, Belarus and Kazakhstan do not look convincing (Kostin, 2014).

Conclusions

While it is too early to say that a power transition has taken place in East Asia, it is clear that its geopolitical alignments have grown more complex. China's economic and military power has

increased but has not been regionally institutionalized, except in Central Asia through the Shanghai Cooperation Organization and through Chinese participation in various regional forums. The USA has kept up its system of bases and bilateral alliances, and has re-emphasized and strengthened them under its policy of rebalancing or “pivoting to Asia”, and has also been courting non-allies such as Indonesia, Myanmar and Vietnam. India’s role is not great but is growing. The Sino-Russian strategic partnership has become very tight. Yet Russia’s independent role in the region has diminished to an extent that makes the answer to the question in the title of this paper remarkably simple: it is up to China.

Moscow is eager to preserve what freedom of manoeuvre it can, but in real terms, its political dependence upon China and the need in gaining extra economic revenues have reached a level where any Chinese sign of displeasure has to be taken seriously. We agree with Tsvetov (2014) that Russia’s “strategic partnership” with Vietnam has been characterized by “inertia, thereby opening opportunities for the USA and the PRC to gain a strong foothold in Vietnam”, and that the “close partnership between Moscow and Beijing is the main hurdle to advancing the Russia-Vietnam relationship”. This hurdle is set to grow higher as President Putin finds himself increasingly at disadvantage in the fast-evolving confrontation in the Western “theatre” and gets desperate to compensate for this weakness by upgrading his strategic ties with China. The Chinese leadership, however, proceeds cautiously with this rapprochement not only because the economic benefits are far from rich, but also because it sees too much uncertainty in the mid-term. China might also be tougher with Russia, not least financially, if it could obtain a more favourable partnership with the USA. It is not the blatant violation of international law by Russia in annexing Crimea that has worried Beijing the most; to a greater degree, it is the deteriorating state of the Russian economy and the way Putin and his corrupt courtiers have neglected the goals of economic modernization. Indeed, the Kremlin has itself boldly sacrificed Russia’s prospect of economic development – which is a central proposition in policy-making not only in China but also in most other East Asian states – in order to prevent the Westernization of Ukraine and demonstrate its military might. Beijing cannot avoid anticipating a deep Russian crisis down the road. As one Chinese scholar noted, “Russia is declining at a very fast speed and it will be a long process with lots of difficulties for it to rise again” (Xing, 2015: 7).

Seen from Hanoi, Russia is not a reliable partner in standing up against China. The Vietnamese Communist Party finds itself in a deep dilemma. It can either further deepen its economic and party-party relations with China in the hope that Beijing will restrain itself or abide by international law, or it can seek to balance against China by forging closer ties with the USA, India and Japan. Its traditional ties to Russia are not of much use, and their value has been further reduced by Putin’s irresponsible economic policies and disrespect for international law.

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Notes

1. This position was spelled out by Andrei Gromyko, First Deputy Foreign Minister, who characterized the San Francisco Treaty as a bi-lateral “war-making” deal between the USA and Japan, which “violates China’s indisputable rights on Taiwan (Formosa), Pescador, Paracel and other islands, which are China’s historic territories, captured through Japanese aggression.” (Gromyko, 1951). It is noteworthy, however,

- that in a memorandum from Minister of Foreign Affairs Andrei Vyshinsky to Stalin on the participation in the San Francisco conference, the Paracel islands were not mentioned. See Document No. 123 (1951). For the Sino-Vietnamese dispute over the Paracels, see Tønnesson (2014a: 215–216).
2. The joint company between Soviet *Zarubezhneft* and Vietnamese *PetroVietnam* was established in 1981 and is presently the fifth largest company in Vietnam; this history is well described on the *Zarubezhneft* website (see http://www.zarubezhneft.ru/en/about_company/history/ accessed 15 June 2015).
 3. It is characteristic that the USSR did not build a naval base in Cam Ranh but relied on floating docks and other temporary installations (Buszynski, 1986: 205).
 4. For chilling Chinese footage from the battle, see <https://www.youtube.com/watch?v=bWyI79v6Fic> (accessed 25 June 2015).
 5. The construction work has made it difficult to ascertain if there were any naturally formed rocks above water at high tide on these features before the work began.
 6. An editorial in the Vietnamese Communist Party's mouthpiece *Nhan Dan* (2012) gives a typically exaggerated evaluation of that agreement.
 7. The trigger for this problem was a clash between police and a criminal gang from the North Caucasus in a street market; the Chechen issue was too sensitive to tackle, so the focus was quickly shifted to labour migration from Central Asia. This, however, clashed with the agenda for building the Eurasian Union, so the focus was shifted again – and a few hundred illegal migrants from Vietnam were detained in a specially erected camp. After protestations from the Vietnamese embassy, most were quietly released: *Newsru.com* (2013).
 8. On the striking lack of Russian expertise on China, see Gabuev (2014).
 9. This situation is examined in greater detail in Baev (2014).
 10. This was confirmed in several interviews undertaken by the two authors with Chinese analysts in Beijing, in early November 2014.
 11. This scepticism is particularly evident in the refusal to provide any pre-payments, as well as in the increasingly rigid policies of Chinese banks, which according to insightful Russian sources, “will currently not execute interbank transactions with their Russian peers” and “have significantly curtailed their involvement in interbank foreign trade deals, such as providing trade finance”. See Soloviev (2015).

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