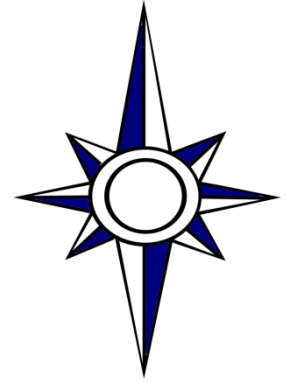


Comparative Connections

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China-Russia Relations: Tales of Different “Pivots”

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“Russia can pivot to the Pacific, too,” declared Dmitri Trenin, director of the Carnegie Moscow Center, the day the 24th APEC Leaders Meeting opened in Vladivostok, Russia’s outpost city at the Pacific where it spent \$21 billion in five years prior to the APEC meeting. To be sure, investment in this symbol of Russia’s eastward “pivot” was initiated in Putin 2.0 (2004-08) and long before US Secretary of State Hillary Clinton used the word “pivot” in her November 2011 piece “America’s Pacific Century” in *Foreign Policy*. Never mind the “empty chair” for US President Obama at this coming out party for Russia’s plunge into the world’s most dynamic market. It was anybody’s guess if this was Obama’s payback for Putin’s skipping the G20 at Camp David in May, or something else (fighting for reelection).

One less noticeable “pivot,” however, was by China, Russia’s neighbor less than 100 km south of Vladivostok. Russia was where both President Hu Jintao and Premier Wen Jiabao made the last of their 2012 foreign visits, which might well be the last official visits of their 10 years as China’s top leaders. In early September, Hu joined the APEC meeting in Vladivostok. In early December, Wen Jiabao went to Moscow for the prime ministerial meeting. Wen’s subsequent “long talk” with President Putin in Sochi highlighted the important and sensitive relationship. Meanwhile, Putin’s “pivot” to the Asia-Pacific was not just about China, but part of Russia’s grand strategy with both economic and strategic components to make Russia a truly Eurasian power. As the fourth generation of Chinese leaders was fading away, Russian-Chinese military cooperation gained more traction in the closing months of 2012.

Putin-Hu meeting in Vladivostok

On Sept. 7, President Hu Jintao met President Vladimir Putin on the sidelines of the APEC meeting in Vladivostok. This was the second time in three months and perhaps the last chance for Hu to visit Russia as China’s president. This time, the two heads of state held “a thorough exchange of views” and reached “important consensus” on bilateral relations, and regional and international issues.

Hu hoped to see more “active implementation” of the cooperation agreements and consensus reached at the June summit in Beijing. For this goal, he made seven suggestions for bilateral relations: 1) deepen strategic mutual trust to promote a high-level political relationship, 2) cooperate in investment and high-tech areas, particularly in large, strategic projects to elevate both the quantity and quality of bilateral economic relations, 3) actively coordinate in drafting the “Outlines for Implementing ‘Sino-Russian Cooperative Treaty of Good-neighborliness,

Friendship and Cooperation' for 2013-16," 4) set up a joint mechanism for law-enforcement and security and promote military-military cooperation; 5) create a mechanism for regional leaders' regular meeting; 6) develop an action plan for the next 10 years of humanitarian cooperation, and 7) closely coordinate on global and regional issues for peace, security, and stability. Hu stressed the strategic and long-term implications of energy cooperation.

Putin agreed that the China-Russia strategic partnership had developed steadily in recent years. The two countries boosted strategic and political mutual trust, enhanced their trade and economic cooperation, and coordinated closely on major world and regional issues. He attributed the "very high level" of bilateral relations to the "personal contribution" of Hu, who would be the first speaker at the APEC Leaders Meeting the following day, hoping Hu's speech would set the tone for the rest of the meeting. The Chinese press described the bilateral meeting as "candid, in depth and pragmatic" [坦诚、深入、务实]. Putin was quoted as calling Hu Jintao "my respected old friend." Hu's multiple suggestions can be interpreted as signs of China's eagerness to improve, as well as its dissatisfaction with, relations with Russia.

APEC meeting in Vladivostok: Putin style

Vladivostok was thoroughly revitalized, thanks to the five-year, \$21 billion investment in the city's infrastructure, which was the largest one-time investment in Russian/Soviet history for any Russian city. Despite this huge financial effort, this outpost of the vast Russia state looked both promising and precarious. In contrast to neighbors whose economies have turned this part of the world into the center of the global economy, Russia's far eastern region has suffered due to a dwindling population and deteriorating infrastructure. To reverse this trend, Putin was determined to make the APEC forum a showcase for Russia's sincerity and its ability to join the most rapidly developing region, which accounts for about 40 percent of the world's population, around 57 percent of world GDP, and about 48 percent of world trade. To do that, he needed to "catch the 'Chinese wind' to propel Russia's economy, as he envisioned in his February 2012 election article, "Russia and the Changing World."

As the APEC host, Putin's effort to make Hu the first speaker among 21 heads of state had several goals. First and foremost was to make sure that the "Chinese wind" would blow strongly enough to turn this Russian "fortress" into "fortune" for this economically depressed region of Russia. This was particularly urgent in the wake of the 2008 financial crisis. As a Eurasian power, Russia occupies a unique position to reach out to the East. The theme of the Vladivostok APEC meeting, "Integrate to Grow, Innovate to Prosper," reflected Russia's economic imperative as it went on its \$21 billion spending spree to make the Vladivostok meeting a success.

Putin counted on Hu to focus on economics. In the past 10 years, they have met almost 30 times in both bilateral and multilateral settings, and he understood that the very success of China in the past 33 years was its single-minded pursuit of economic development. Further, Beijing had made it clear that APEC was not a place for territorial issues. So, Hu was pleased with the tone-setting role at the annual APEC meeting in Russia.

There is no question that modernizing Russia's Far East requires much more than a facelift for Vladivostok as taking a sustained interest in economic integration has been rare in Russian history. In the past, almost all Russian (and Soviet) leaders have experimented with ideological and security integration between the West and East.

Russia's economics-in-command thinking aside, the months leading to the Vladivostok APEC meeting, however, witnessed the escalation of territorial disputes in this part of the world, including the Sino-Japanese disputes over the Diaoyus/Senkakus, the Japan-South Korean dispute over Takeshima/Dokdo; the Japan-Russian disputes over the Northern Territories/Kurils, as well as multiple disputes involving several APEC member economies in the South China Sea. It appeared likely that the Vladivostok meeting would be sidetracked from its economic focus by territorial issues as Secretary Clinton planned to meet several ASEAN leaders to discuss a code of conduct for the South China Sea. Another mission for Clinton at the Vladivostok meeting was to mediate Japan-South Korean territorial disputes. The last time a US president did not participate in the APEC meeting was in Malaysia in 1998 when Vice President Al Gore insisted that human rights issues in Malaysian politics should be discussed by APEC leaders.

Ultimately, Moscow hoped China's prominent role at APEC would help Russia attract more investment from the rest of the region. Russia wants to "pivot" to the Asia-Pacific, not just to China. Prior to and during the APEC meeting, Putin and other Russian leaders clearly expressed their willingness to welcome Japanese contributions to Russia's Far East, to the point that even territorial issues were being soft-peddled. On Sept. 1, Russian Foreign Minister Sergey Lavrov was quoted as saying that he ruled out an APEC role in settling the Russia-Japan peace treaty problem. Two days later, he clarified that the absence of a peace treaty was not an obstacle to further development of Russian-Japanese relations. This was followed by a statement from Lavrov 48 hours later that Moscow was ready to discuss a peace treaty with Tokyo on the basis of the UN Charter.

While the foreign minister continued to soften his words, Putin and other Russian officials were eager to accommodate Japanese business and government officials. They met Prime Minister Noda Yoshihiko, signing multiple government and commercial contracts ranging from fishing to timber industry, inaugurating the Mazda assembly plant in Vladivostok, and soliciting Japanese participation in Russia's energy and infrastructure projects in this vast Russian region. Indeed, a Russian-Japanese rapprochement was taking shape despite territorial disputes and the absence of a peace treaty between the two. All of this did not go unnoticed by Tokyo, which prefers a more relaxed relationship with Moscow for both commercial and strategic benefits. A few days before the APEC meeting Asari Hideki, deputy director general of the Japan Institute of International Affairs, proposed Japan-US-Russian trilateral cooperation in Northeast Asia to offset China's growing influence in this part of the world. It remains to be seen how Moscow would reciprocate with the Asian players.

Russian defense minister visits Beijing

One of the seven suggestions that President Hu Jintao made in his meeting with President Putin in Vladivostok was to promote military cooperation. Against the backdrop of an economic theme in the annual APEC meeting, this initiative was quite "invisible." In late November, however,

Russia's new Defense Minister Sergei Shoigu became the first Cabinet member in the Putin 3.0 administration to visit China after the Chinese Communist Party's 18th Congress. China was the first country for the new defense minister to visit, barely two weeks after he was appointed on Nov. 6 when Putin ousted Anatoly Serdyukov.

Part of Shoigu's work in Beijing was to co-chair with Chinese counterpart Gen. Liang Guanglie, the 17th session of the Russian-Chinese Joint Government Commission for Military-Technical Cooperation. Despite the sudden change of the Russian co-chair, Beijing quickly confirmed its invitation to the new minister to visit. The meeting may well be the beginning of a new round of more active Sino-Russian military sales and cooperation, which have until recently been considered quite unsatisfactory by both sides. "The higher the level of cooperation between our countries, the calmer our region is," Shoigu was quoted as saying.

Among the issues discussed during the Beijing meeting was a possible \$1.5-billion purchase of 24 *Sukhoi-35* fighters. It was reported that a preliminary agreement was reached during Shoigu's stay in Beijing. "The most serious issues of military-technical cooperation and military cooperation were discussed," commented Deputy Defense Minister Anatoliy Antonov, who attended the meeting. "The minister [Shoigu] had very serious meetings with the leadership of the People's Republic of China and the leadership of the Defense Ministry... I saw China's determination to develop partnership in all areas," Antonov told *Rossiia 24* after the meeting.

In Beijing, Shoigu was received first by Vice Chairman of the Central Military Commission Xu Qiliang before the commission met, and by President Hu Jintao after the commission meeting. Hu's meeting was indicative of some significant progress. "Shortly after your appointment, you decided to come here and attend the 17th meeting of the Intergovernmental Commission on Military-Technical Cooperation," said President Hu Jintao to Shoigu. "This is a sign of the amount of attention you and Russia at large give to the development of Sino-Russian relations and military-technical cooperation between our countries," and "China appreciates that." Hu noted that Shoigu and Defense Minister Liang Guanglie "reached a mutual understanding at their meeting." In response, Shoigu said, "We have taken new steps towards strengthening our relations." Commander of the Russian Air Force Viktor Bondarev led a group of Russian Air Force officers on a visit to China prior to Shoigu's visit. Xu Qiliang, vice chairman of the Central Military Commission, met the group.

For quite some time, Russia has been hesitant to sell its best multirole fighter to China, lest its reverse-engineering ability would quickly clone the Russian design. In the 1990s, China purchased dozens of *Su-27SK* fighters, which were allegedly used by China as a blueprint to develop its own *J-11*. China eventually obtained a single *T-10K* from Ukraine (a *Su-33* prototype) after Russia rejected the sale of *Su-33* carrier-based fighters to China. Competition between Russian and Chinese armaments companies in the third countries has complicated the issue, such as the case of a Russian RD-93 jet engine (a modified version of the RD-33 for *Mig-29s*) for the Chinese-Pakistani *FJ-17* joint fighter program. Russia went so far as to stop supplying the engine to China when Moscow and Beijing competed in the low-cost jet market. In the case of the *Su-35*, Moscow originally insisted on selling at least 48 of its super-maneuverable jets to China while China was reportedly interested in obtaining only four. Now, the sale of the

24 *Su-35s* seems to be a compromise after the two sides reportedly worked out legal documents for intellectual property rights protection.

Several other factors may have contributed to the progress in the *Su-35* sales. Despite a series of high-profile indigenously developed stealth fighters (*J-20* and *J-31*) as well as landing its *J-15* on an aircraft carrier, the PLA still faces various engineering and technological constraints, particularly in developing its own jet engines. Buying off-the-shelf Russian jets remains an option for immediate deployment at a time of growing frictions around China's peripheries. China's current diplomatic difficulties, however, are not as serious as in the 1990s, when the Taiwan Strait crisis became a strategic showdown with the US.

Beijing is really interested in obtaining a few samples for comparison, research and technological upgrading for the future. To this point, there has been no official Chinese confirmation of media reports about pending sales, which mostly come from the Russian side. By yearend, however, a commentary in *Global Times* indicated that the final procurement decision would be made according to two factors: the speed of China's R&D for the new generation of jet fighters, and Russia's willingness to compromise. Regardless, they are negotiating a deal.

Although Russia remains concerned by China's copying capability, the sale of 24 *Su-35s* remains attractive for several reasons. One is it allows Russia to explore more commercial opportunities as some of its traditional customers such as India and some Central Asian states are diversifying their procurement. Another consideration is the speed and scope of China's advancement in science and technology, which creates concern in Russia that it may miss the current window of opportunity at which some of its hardware is still attractive to the PLA – China is already testing its *J-20* and *J-31* stealth fighter-bombers. Additionally, the *T-50*'s serial production needs a large financial input and China's procurement of the *Su-35* means some \$1.5 billion, which would considerably reduce Russia's own financial input. Last, the *T-50* is scheduled to go into limited "example" production for evaluation in 2013 and series production after 2016. The Russian military calculates that it will continue to maintain a generation ahead of its Chinese counterpart in jet fighters. For China, huge inputs into its aerospace engineering would significantly improve the quality and life span of its own jet engines.

The *Su-35* deal is part of the recent (since 2011) recovery in China's acquisition of Russian arms, which include large quantities (about 90 percent of the total military sales) of jet engines, helicopters, etc. Indeed, the Russian aircraft engine manufacturer Salyut would have to work overtime to meet China's demands. By the end of 2012, there was speculation in both Chinese and foreign media about a deal with Russia for licensed production of the *Tupolev Tu-22M3* long-range supersonic bomber. While Chinese military experts and media were not particularly thrilled by this prospect due to the outdated design of the bomber, there has been no confirmation of the deal by either side. Elsewhere, Russian media revealed that Russia and China had reached a framework agreement for constructing four *Amur-1650* conventional submarines for the Chinese Navy. The \$2 billion contract is expected to be signed after 2015 according to *Russian Kommersant*. The agreement calls for two of the submarines to be built in Russia and two in China, a source close to Rosoboronexport told the business daily.

Recent Russian Military Sales to China: 2009-2012

Contract Time	Items	Quantity	Millions of US	Delivery Time
2009	Mi-171E helicopters	32		2010-11
2009	D-30KP2 engines for Il-76 & H-6K	55		2009-11
2011	D-30KP2 engines for Il-76, H-6K & Y-20	184		2012-15
2011	AL-31FN engines for J-10	123	\$500	2012-
2011	AL-31F engines for J-11, J-16	150	\$700	2012-
2012	AL-31F engines for J-11, J-16	140	\$700	2012-
2012	Mi-171E helicopters	52	\$700	2012-14

The current upturn in China's acquisition of Russian arms is said to constitute the third wave of Russian arms transfers to China, after the first phase of 1949-1960 and the second of 1989-2000, when China was among the largest buyer of Russian arms for many years. This optimistic projection, however, may not be realized, given the rapid development of China's own armaments industry, Russia's concerns about China's ability to clone its products, the "India factor" in Russia's arms sales to China, and Russia's enduring problems in quality control and poor service.

Wen Jiabao in Russia

The 17th Sino-Russian Prime Ministerial Regular Meeting was held in Moscow on Dec. 6 and was co-chaired by Wen Jiabao and Prime Minister Dmitry Medvedev. The occasion was quite unusual for the two leaders: it was Wen's last trip to Moscow as premiere while Russia's new, and old, prime minister had just rotated back to his previous position after four years in the Kremlin.

The two prime ministers focused on a number of issues including trade and investment, energy, advanced and space technology, regional development, transportation and navigation, search and rescue for civilian airplanes, illegal fishing, cultural exchanges, and coordination in multilateral forums such as the SCO and APEC. The joint communiqué issued at the end of the regular meeting contains a special note that "the two sides will continue to work together to defend World War II" including "the outcome and the post-war order" – a reference to territorial disputes with Japan – and pledged that they would support "each other's sovereignty, security and territorial integrity, core interests." Nine inter-governmental documents were signed, plus eight commercial contracts, including military-technology cooperation, which was discussed as Russian Deputy Prime Minister Dmitry Rogozin, who is in charge of the defense and space industry, was present. According to official records, the 17th meeting was the second time since 2000 where the military-technology topic was prominently featured in the regular meeting.

Premier Wen made seven suggestions for promoting bilateral economic relations: 1) increasing two-way trade to \$100 billion by 2015; 2) promoting comprehensive energy cooperation for energy security and sustainability; 3) focusing on cooperation in the areas of investment, manufacture, and advanced technology, particularly in strategic aerospace projects; 4) promoting regional cooperation; 5) supporting enterprises; 6) promoting societal and humanitarian

exchanges; and 7) actively participating in global economic management to reform international financial system. In his speech, Prime Minister Medvedev described bilateral ties as being at their best and constituting a new type of major power relations. He noted that the “multiple accomplishments” achieved during the meeting were new stimuli for the bilateral relations.

After the meeting in Moscow, Wen traveled to the Black Sea resort city of Sochi where he was received by President Putin. Chinese official media described the meeting as “a cordial and in-depth conversation for a long time,” a quite unusual gesture for the Russian head of the state to make for a visiting head of the government. The two leaders obviously briefed each other on the domestic situation in their respective countries. Wen, for example, described Russian domestic situation as “severe and complicated” and said that “a stable, prosperous, and strong Russia is favorable to the world.” Wen also promised that the new generation of leaders in China “will continue to place great importance on and forcefully promote cooperation and exchange in all fields between the two countries.”

In an apparent effort to dispel doubts about a close relationship with Beijing, Foreign Minister Lavrov remarked three days after the Wen-Putin meeting that Russia does not have any concerns about China’s growing political influence. “I know that many people have been expressing concerns about this trend. We have no such concerns. We believe that it is always better not to try to restrain the growth of someone’s influence, but to find common ground. In that respect, we have complete mutual understanding with China,” and “we proclaim absolutely identical views on the state of affairs in the world,” said Lavrov.

SCO 11th Prime Ministers Meeting

The 11th Shanghai Cooperation Organization (SCO) Prime Ministers Meeting was held in Bishkek on Dec. 4-5. Representatives of the five observers (Mongolia, Pakistan, Iran, India, and Afghanistan) also participated. The prime ministers signed several documents including a joint communiqué, a statement on the SCO Development Fund, a protocol on cooperation in emergency situations, and a memorandum on intellectual property rights.

The one-day meeting focused on economic and trade cooperation, budget matters, and the creation of a SCO Development Fund (Special Account) and an SCO Development Bank. Kazakh Prime Minister Serik Akhmetov said the SCO needed to focus on the implementation of two or three cooperative projects in the near future, such as the establishment of SCO banks and a SCO Development Fund. Kyrgyz Prime Minister Zhantoro Satybaldiyev also favored the creation of a Development Bank and the SCO’s special account. Tajik Prime Minister Oqil Oqilov supported transportation cooperation. Prime Minister Medvedev wanted to strengthen antiterror cooperation. Indian and Pakistani representatives expressed their willingness to elevate their current observer status to full membership of the SCO.

China continued to be the driving force for SCO’s economic development. Premier Wen Jiabao proposed that the SCO make regional infrastructure its top priority. He also suggested development of an SCO telecom satellite service for mobile telecommunications, regional emergencies and rescues, and fighting terrorism. Wen also argued for an SCO environment protection cooperation center and a disaster warning and rescue center. He urged SCO states to

be more “hands off” in implementing various projects, meaning enterprises and the market should have “full play” to “ensure quality and efficiency of the projects.” None of these suggestions made the “to-do” list of the joint communiqué, though some related issues were mentioned in passing (Article 10 for disaster relief, Article 11 for environmental protection, etc.). The lack of interest in China’s suggestions for these specific items within the SCO framework is understandable, given the institutionalized and highly technical nature of these “centers” and networks.

One must also factor Russia’s effort to develop its own “Customs Service,” now renamed the “Common Economic Space” (CES) for those Commonwealth of Independent States (CIS) States (Russia, Belarus and Kazakhstan) into the equation. An integrated economic zone seems to be gaining momentum among many CIS members, including those with membership in the SCO. This is why China’s call for a SCO free economic zone, first in 2003 and then in 2011, has not been on the SCO agenda. Indeed, prior to the APEC extravaganza, Putin’s preoccupation was to expand and consolidate Russian economic reach in the “near abroad” areas. Immediately after his inauguration in May, Putin held an “informal” summit with CIS leaders and a formal annual Collective Treaty Security Organization (CSTO) Summit in the Kremlin. Among the first foreign visits for Putin as president 3.0 were to Belarus and Kazakhstan, with whom Russia formed the “Customs Union” in January 2010 and its fuller format, the Eurasian Economic Space, in January 2012. The final stage of these steps will be the formation of the Eurasian Union by 2015.

Given these overlapping, if not conflicting, economic interests between the China-dominated SCO and the Russia-dominated CES, Beijing seems to be pursuing a dual strategy of working both with and beyond the SCO. For example, China’s Eximbank offered Uzbekistan \$5 billion, of which over \$4 billion are soft loans. China is also working with other Central Asian states (Kazakhstan and Uzbekistan) to construct oil and natural gas pipelines to China.

Pivots now and then

In the “Russia pivot” piece mentioned earlier, Dmitri Trenin argued that if Peter the Great was alive today, he would not have to “re-found” a new capital on the Pacific. He would simply pack up and move his court and administration to an already-built city, Vladivostok. The Russian “pivot” to the East, according to the former Red Army colonel, has both geoeconomic and geostrategic goals in mind. Ultimately, Moscow wants to retain its strategic independence and not to wind up as a junior partner to either Washington or Beijing.

For many Asians, the US and Russia had “pivoted” to the region at least a century and half before when the US “opened” Japan (1853) and Russia got its “Treaty of Aigun” (1858) in the wake of the second Opium War. They have never left the region. Indeed, Vladivostok in Russian means “ruler of the East,” replacing the centuries-old Chinese name of Haisenwei, meaning “a small fishing village” in Manchuria.

In the 21st century, the two “extensions” of the West – Russia overland to the East and the US across oceans to the West – are pivoting to Asia again, though with different goals: to catch the Chinese wind for Moscow and to block the same wind for Washington. Asia, however, is no longer the same as it was in the 19th century, for better or worse.

Chronology of China-Russia Relations September – December 2012

Sept. 7, 2012: President Hu Jintao meets President Vladimir Putin in Vladivostok on the sidelines of the APEC Leaders Meeting to discuss bilateral ties and major issues of common concern.

Sept. 18, 2012: Russia urges China and Japan to search for a peaceful solution to their territorial dispute over the Diaoyu/Senkaku Islands in the East China Sea, according to the Russian Foreign Ministry Information and Press Department.

Oct. 1, 2012: President Putin sends greetings to President Hu Jintao on the People's Republic of China's 63rd anniversary.

Oct. 12, 2012: Russian Deputy Foreign Minister Mikhail Bogdanov and Chinese Deputy Foreign Minister Zhai Jun meet in Moscow to exchange and coordinate policies toward the Middle East.

Oct. 12, 2012: Chinese Deputy Foreign Minister Cui Tiankai meets G20 coordinator Ksenia Yudaeva in Moscow. Cui expresses support for Russia's presidency of the G20 and hosting the G20 Summit in 2013.

Nov. 14, 2012: Xu Qiliang, vice chairman of the Central Military Commission, meets Viktor Bondarev, commander of the Russian Air Force, in Beijing. Bondarev was appointed commander of the Russian Air Force on May 6, 2012.

Nov. 15, 2012: Russian Foreign Ministry spokesman Aleksandr Lukashevich expresses confidence that the 18th Congress of the Chinese Communist Party would facilitate the strengthening of relations between Beijing and Moscow.

Nov. 15, 2012: Prime Minister and United Russia Party leader Dmitry Medvedev congratulates Xi Jinping on his election as secretary general of the Central Committee of the Communist Party of China.

Nov. 20-21, 2012: Russia's newly appointed Defense Minister Sergei Shoigu pays an official visit to China and attends the 17th session of the Russian-Chinese Joint Government Commission for Military-Technical Cooperation. This was Shoigu's first trip abroad in his new capacity.

Dec. 4-5, 2012: The 11th Shanghai Cooperation Organization (SCO) Prime Ministers Meeting is held in Bishkek. The meeting will be held in Uzbekistan in 2013.

Dec. 6, 2012: Prime Minister Medvedev and Premier Wen Jiabao co-chair in Moscow the 17th Regular Prime ministerial Meeting. After the meeting, Wen meets President Putin in Sochi.

Dec. 31, 2012: President Hu Jintao and counterpart Vladimir Putin exchange New Year greetings and wished ties between the two countries make more progress in 2013.