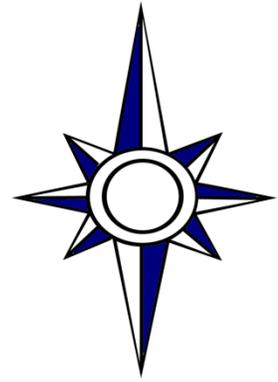


# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## China-Russia Relations: Putin's Glory and Xi's Dream

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There was a dramatic turn in the Syria crisis and a potential light at the end of the “Iranian tunnel,” thanks to the persistent efforts of Russia, or more precisely, President Putin. Meanwhile, President Xi Jinping and Premier Li Keqiang devoted themselves to economics by kicking off a new “Silk Road Economic Belt” strategy through the heartland of Asia. This does not mean Russian and Chinese leaders were on divergent paths. In fact, they met frequently in multilateral and bilateral settings: three times for Putin and Xi (G20 in St. Petersburg, SCO summit in Bishkek, and APEC forum in Bali) and twice for the prime ministers (Medvedev’s visit to Beijing and the SCO Prime Ministers Meeting in Tashkent). Despite their largely convergent outlook on many global issues, Russia seemed more guarded about China’s new westward drive through Central Asia, which it still considered special, if not exclusively, for Russia even two decades after the Soviet breakup.

### Syria and Russia’s moment

On the eve of the St. Petersburg G20 Summit on Sept. 5, the Syria crisis was poised to hijack the meeting’s agenda. The escalation came as a result of the alleged use of chemical weapons in Syria, which was the “red line” drawn by President Barack Obama in August 2012. Although the British Parliament rejected military actions in Syria on Aug. 29, the US was moving toward the use of force against Syria and tensions remained high with the launch of two ballistic missiles in the Mediterranean during a joint Israel-US test. On the same day, Secretary of State John Kerry chose his words carefully at a congressional hearing with Defense Secretary Chuck Hagel and Chief of the Joint Staff General Martin Dempsey: “I don’t want to take off the table an option that might or might not be available to a president of the United States to secure our country.” For all of these winds and words of war, the *Moscow Times* used the headline “Calm before the Syrian Storm” to warn its readers about the coming military strike.

Russia counted on support from China and the BRICS countries during the G20. In the previous two years, Moscow and Beijing had closely coordinated Syrian policies at the UN. On several occasions they vetoed Western/US draft resolutions against Syria. Still, Russia wanted to make sure that China would be on its side during a “showdown” at the G20. “Russia and China are the main guarantors of international laws and norms,” Russian Foreign Minister Sergei Lavrov said on Sept. 2 at the Moscow State Institute of International Relations. He went further, saying that “our relations of strategic interaction and comprehensive partnership are going through the longest and best period in their history.”

In a mini-summit after President Xi arrived in St. Petersburg, President Putin spoke highly of the strategic partnership with China. “It goes without saying that China and Russia are coordinating and cooperating closely in politics and their common position in many issues is certainly one of the most important factors in international affairs of today.” In response, Xi pointed out that nearly 50 cooperation projects in 16 fields were being implemented over the previous six months. Both sides hoped to speed up projects in energy, aviation, and other fields. They also vowed to deepen cooperation in military affairs and military technology in order to jointly respond to new threats and challenges. “We are currently studying the possibility and we are actually making the very first steps in the cooperation of aviation industry, I mean, helicopters and wide-bodied passenger aircrafts,” added Putin.

Moscow’s efforts to court China seemed effective. A day before his departure for the G20 meeting, President Xi expressed “serious concern” over the pending US military strike against Syria and in their meeting on the sideline of the G20, Xi tried to dissuade President Obama from military action, telling him that Beijing expected countries to think twice before acting. Still, Obama managed to persuade 10 fellow leaders at the G20 to call for a “strong” response to Syria’s use of chemical weapons. This was the case even after his 20-minute “constructive” talk with Putin on Sept. 6. The crisis took a sharp turn on Sept. 9 with Secretary Kerry’s “casual” remark that a military response could be averted if Syria turned over all of its chemical weapons within a week. President Putin seized the “offer” a few hours later with a proposal to place Syrian chemical weapons under international control, thus forcing the West to choose prohibition of chemical weapons as its immediate goal. Meanwhile, Russian Deputy Foreign Minister and presidential envoy for the Middle East Mikhail Bogdanov and Chinese Ambassador to Russia Li Hui met in Moscow to discuss the situation in Syria “in detail.” Five days later, the US and Russia worked out the “Framework for Elimination of Syrian Chemical Weapons,” which called for the elimination of Syria’s chemical weapon stockpiles by mid-2014.

China quickly praised Russia’s proposal. While at the Shanghai Cooperation Organization (SCO) summit in Bishkek, President Xi was quoted as saying on Sept. 13 that China backed Russia’s proposal to place Syria’s chemical weapons under international control. In an editorial a few days later, the *Global Times* described Putin’s handling of Syria as an “outstanding performance” [表现出色]; Putin’s criticism of US exceptionalism in his *New York Times* piece deserved China’s applause, and that the West underestimated Putin. “What the Syrian chemical crisis shows is that Russia is an important balancer for the world today,” continued the editorial. Putin’s Russia did not exercise its power but simply reacted to a grave situation with its geostrategic instinct when facing a brief window of opportunity, something that the Chinese political and intellectual elites have always admired.

Another *Global Times* editorial claimed that Chinese public opinion genuinely endorsed *Forbes*’ ranking Putin as the most influential leader in the world. As for Sino-Russian cooperation, the editorial believed that “the strategic partnership relations between China and Russia have now taken deep roots in the social psychology of the two nations for at least one reason: Russia’s willingness to take leadership and China’s genuine support without any jealousy.”

Putin’s Syrian glory carried him all the way to Indonesia’s resort island of Bali on Oct. 7 for the annual APEC Economic Leaders Meeting. To his surprise, Indonesian President Susilo Bambang

Yudhoyono strummed a guitar while singing “Happy Birthday” to the Russian president, who turned 61 years old. Putin’s “birthday diplomacy” continued late into the night when the Chinese and Russian presidents were meeting. Putin pulled out a bottle of vodka for a toast after Xi presented him with a cake. The two sides “wolfed down” the cake with vodka, which made the meeting “very warm and friendly,” according to Russian state news agency *ITAR-TASS*. The two presidents discussed several issues including cooperation in military affairs, exercises and arms sales, and working together to guarantee security and stability in the Asia-Pacific region. The Chinese president called 2013 “a year of a rich harvest in our relations.” Xi reiterated his support for Putin’s proposal for joint celebrations of the 70th anniversary of the end of World War II in 2015, crediting Russia with helping China during the war. “We will never forget this,” he was quoted as saying.

Two weeks later, Russia and China would have another chance to iron out more specific projects when Prime Minister Dmitry Medvedev visited Beijing on Oct. 22-23 for the 18<sup>th</sup> annual prime minister meeting. Among the 21 agreements signed were an \$85 billion deal for an additional 10 million tons of crude oil deliveries to China each year over the next 10 years, a joint-venture oil refinery in Tianjin capable of processing 16 million tons of crude oil each year, a price-setting formula for an annual export of 38 billion cubic meters (cm) of Russian gas to China by 2018-20, and \$1.9 billion in Chinese loans for several large projects. During the meeting, Medvedev expressed Russia’s desire for more Chinese investment, particularly in Russia’s Far East. Medvedev also met President Xi before he traveled to Hefei, Anhui Province where he received an honorary degree from the Chinese University of Science and Technology.

### **Xi: leaving no Central Asian country behind?**

When the APEC “party” was over in early October, President Putin offered a more sober and perhaps more realistic assessment of relations with China, saying that “Competition is the engine of all sectors, both the economy and politics. So, in my opinion, there are neither contradictions nor tragedies. We have competition in some [sectors] and cooperation in others. At present we have more points of contact in cooperation with China.” Putin’s “competition-cooperation” dichotomy might refer to what happened a month before when President Xi unveiled an ambitious “Silk Road Economic Belt” strategy for Central Asia.

In early September, President Xi kicked off his first official tour of Central Asia as head of state with a visit to Turkmenistan (Sept. 3). From there, he briefly skipped out to St. Petersburg for the G20 on Sept. 5-6, then returned for visits to Kazakhstan (Sept. 7-8), Uzbekistan (Sept. 9-10), and Kyrgyzstan (Sept. 11-12) before joining the annual SCO summit on Sept. 13 in Bishkek. The highlight of the 10-day tour was in Kazakhstan when Xi announced China’s “Silk Road Economic Belt” strategy to broaden and deepen China’s engagement with the region.

Despite the fact that it is not a member of the SCO, Turkmenistan offered Xi the warmest welcome as his motorcade was greeted by 100,000 people along the highway from the airport to the Galkynysh (Renaissance) gas field. Behind this unprecedented gesture is the fact that Turkmenistan is China’s largest foreign supplier of natural gas: over 21.3 billion cm in 2012, or 51.4 percent of China’s imports, which is about three times more than Qatar, China’s second largest supplier of natural gas. Total volume of Turkmen gas to China will increase to 65 billion

cm by 2020. In his two-day stay, Xi and Turkmen counterpart Gurbanguly Berdymukhamedov jointly announced the completion of the first-phase construction of the Galkynysh gas field with proved reserves of 4-6 trillion cm of natural gas, making it the world's second largest gas field. A total of 13 bilateral agreements were signed. The two sides also issued a "Joint Declaration on Establishing a Strategic Partnership" between Turkmenistan and China, expanding cooperation in infrastructure, telecommunications, chemical industry, textile industry, agriculture, healthcare, high technologies, and implementation of large joint projects. China has now formed strategic partnerships with all five Central Asian "stans."

President Xi's Central Asian "gaspolitik" may have several goals. The short- and medium-term goals were to place China in a more advantageous position in negotiating gas deals with Russia's Gazprom as China was about to embrace the Russia-initiated SCO energy club at the upcoming SCO summit. As the largest energy consumer, China needed to strengthen its position in this producer-consumer club. In the longer term, China wants to fully tap the gas potential of Central Asia, which has more than 50 percent of the world's proven reserves, if Iran is included (in contrast, oil resources of the same group are less than 20 percent of the world total). Between 2009 and 2016 (Table 1), four natural gas pipelines from Central Asian countries to China will be operational, providing energy-hungry China with up to 65 billion cm per year.

**Table 1: Turkmenistan-China Natural Gas Lines**

<b>Gas Lines*</b>	<b>Capacity/year</b>	<b>Construction Begins</b>	<b>Commissioned</b>
Line A (T,U,K)	20 billion cm	2007	2009
Line B (T,U,K)	10 billion cm	2009	2010
Line C (T,U,K)	25 billion cm	2012	2014
Line D (T,U,T,Ky)	25 billion cm	2013	2016 (projected)

\* T=Turkmenistan, U=Uzbekistan, K-Kazakhstan, T=Tajikistan, Ky=Kyrgyzstan

President Xi's visit to Kazakhstan has "very important political significance for Kazakhstan, which is implementing its state development strategy towards 2050 with a goal of becoming one of the 30 most developed countries in the world," according to Kazakh President Nursultan Nazarbayev. To meet that goal, Kazakhstan has prioritized deeper cooperation with China. Two-way trade reached \$25 billion in 2012; this is forecast to grow to \$40 billion by 2015, which will be half the current Sino-Russian trade volume. Xi also chose Kazakhstan as the setting to unveil China's "Silk Road economic belt" strategy. In a speech delivered at Nazarbayev University in Astana, Xi urged countries along the Silk Road to work together for regional development. For this goal, Xi made a five-point proposal:

- to coordinate policy planning and implementation;
- to improve traffic connectivity to link Eastern, Western and Southern Asia;
- to facilitate trade and investment for this "unprecedented market" of 3 billion people;
- to promote local-currency settlement to improve their immunity to financial risks; and
- to strengthen people-to-people exchanges.

Mindful of Central Asians' sensitivity about China's preponderance, the Chinese president spelled out "Three Nos" in China's Central Asia affairs: no interference with Central Asian countries' internal affairs; no attempt to seek a dominant role in regional affairs; and no desire to

create a sphere of influence. The *Global Times* claimed in an editorial that China “is rejecting imperialist mentality” regarding its Central Asia policy and “seeking normal, win-win exchange” with others. To further humanize the strategy, Xi also reiterated China’s offer, made a year before at the SCO summit in Beijing, to give 30,000 government scholarships over the next 10 years for SCO students, as well as free study tours for an additional 10,000 students and teachers at Chinese-government-funded Confucius Institutes throughout Central Asia. For his audience at the Nazarbayev University (English is used in teaching), its 200 faculty and students were invited to visit China in the summer of 2014.

Xi’s two-day stay in Kazakhstan also focused on energy cooperation. Indeed, Kazakhstan led other Central Asian countries by commissioning the Kazak-China oil pipeline in July 2006, which was China’s first direct oil import link. With the construction of two new pipeline compressors in December 2013, its initial annual capacity of 10 million tons will eventually increase to 20 million tons. During Xi’s visit, a deal was reached for Chinese National Petroleum Company to purchase an 8.33 percent share of the Kashagan oil field for \$5 billion. Kashagan is considered the second largest oil field in the world after the Prudhoe Bay Oil Field in Alaska with recoverable resources at 11 billion barrels and overall geological deposits of 35 billion barrels. In the end, 22 contracts valued at \$30 billion were inked during Xi’s stay.

In both Uzbekistan and Kyrgyzstan, Xi articulated the same ideas of economic development, political cooperation, and strategic trust on the basis of equality and mutual benefit. His words were buttressed by huge trade and investment packages. Xi and his Uzbek host agreed to build a fourth strand of its Central Asia Gas Pipeline through the country while hailing a 59 percent increase in trade for the first half of 2013. In Kyrgyzstan, Xi signed a \$3 billion accord, including a new gas route from Turkmenistan to Xinjiang. By the time Xi joined other leaders for the SCO summit on Sept. 13 in Bishkek, the Chinese leader had spent more than a week in the four Central Asian countries. “It is quite unprecedented for the head of state of a major power to spend so much time traveling through the four Central Asian countries,” commented Beijing’s *Global Times*, adding that “it really shows that China attaches great importance to Central Asia.”

China’s Silk Road strategy will take time to unfold, particularly for large-scale projects involving energy and infrastructure. Xi’s Astana speech apparently triggered a Russian foreign minister briefing a few hours later. “Russia and China are not competing for influence in Central Asia,” Deputy Foreign Minister Igor Morgulov said to the press. He went on to remind his audience that “Our Chinese friends recognize the traditional role our country continues to play in this region, so we do not see any regional rivalry problems,” and that “... China possesses sizable financial resources. Russia possesses experience, technologies, industrial skills and historical relations with the region.”

Morgulov’s remarks were made when Moscow was redoubling its effort to reintegrate the former Soviet states into its fold with various instruments including the Commonwealth of Independent States (CIS), Collective Security Treaty Organization (CSTO), and the Eurasian Economic Space. Indeed, Moscow is counting on Central Asian countries to constitute the main forces in those multilateral organizations, as most of the post-Soviet space in Europe is considered “lost” to the West or drifting away from Russia. Xi’s “Silk Road Economic Belt,” therefore, is seen as competing with Moscow’s own integration effort, even if Xi explicitly said in his speech that

China and the SCO “should further cooperate with Russia’s Eurasian Economic Community for greater operating space.”

For Russia, perhaps the real concern with Xi’s Central Asia trip was China’s business-is-business approach with others, which differs from both the West’s political strings for economic intercourse and Russia’s heavy doses of geopolitics. To some extent, Xi’s “Silk Road Economic Belt” simply revealed a fact in China’s Central Asian economic relations: China and Central Asian countries have become interdependent over the past 20 years. Trade volume between China and the Central Asian countries increased from \$460 million in the early 1990s to \$46 billion in 2012. In the past decade, China has witnessed an average annual increase of 30.8 percent in trade with Central, Western, and Southern Asian countries. In Kazakhstan alone, more than 3,000 Chinese companies have invested over \$20 billion, making it the third largest destination of China’s foreign direct investment. Meanwhile, China has provided Kazakhstan with over \$30 billion of various loans.

China is already the largest trade partner with both Russia and Kazakhstan, and the second largest with Uzbekistan and Kyrgyzstan. A glimpse of Central Asian countries’ trade share with China in 2012 (Table 2) shows that all Central Asian countries have a larger share of their two-way trade with China than with Russia except for China’s exports to Uzbekistan and imports from Kyrgyzstan. This includes Tajikistan, which was not part of Xi’s Central Asia tour.

**Table 2: China and Central Asian Trade (2012)**

Countries	Trade Volume with China	Export % to & Import % from China <sup>1</sup>
Turkmenistan	\$10.3 billion	69.6% / 19.5%
Kazakhstan	\$25.68 billion	19.3% / 28%
Uzbekistan	\$3.23 billion	21.0% / 16.6% <sup>2</sup>
Kyrgyzstan	\$5 billion	7% <sup>3</sup> / 55.2%
Tajikistan	\$2.59 billion	9.5% / 41.2%
Russia	\$88.16 billion	6.4% <sup>4</sup> / 15.5%

1. 2012 Export/Import figures are cited from the CIA *World Factbook*.
2. Russia’s share of Uzbekistan’s import is 20.7 percent.
3. China is Kyrgyzstan’s 4<sup>th</sup> largest market after Kazakhstan, Uzbekistan, and Russia.
4. China is Russia’s 2<sup>nd</sup> largest market after the Netherlands.

It is also important to note that almost all of the major economic projects between China and Central Asian countries have been done bilaterally, or outside the SCO framework. President Xi’s Central Asian tour may reflect China’s inability to work through, if not frustration with, the SCO in economic development. It has been a decade since China proposed an SCO free trade zone. It remains on paper only because of a lack of support among member countries, especially Russia, which is more interested in setting up a separate Eurasian Economic zone with Moscow at the center. Similarly, the SCO member states have not been able to reach a consensus about how to finance the 30 or so proposed joint SCO projects. While China favors an SCO development bank, Russia wants to create an SCO Development Fund (Special Account). The summit failed to reach a consensus on how to move forward.

Several other factors may have contributed to President Xi’s seemingly bold moves in Central Asia. One may be that it is a reflection of the natural economic sequence in that some major

projects between China and Central Asian countries had reached the point for further development. Another factor was that Central Asia was prioritized for Xi's next round of state visits after his earlier visits to Russia and Africa in March 2013 and to Central/Latin America and the US in June. This converged with yet another priority for China's diplomacy: to break the emerging encirclement by the US as Beijing and Washington were increasingly facing off in East, Southeast, and South Asia. Aside from Russia, Central Asia was perhaps the only place where China was free from direct confrontation with the US. Still another factor was the need to construct, articulate, and pursue a more distinctively Chinese strategy toward Central Asia. Such a strategy can be used to reinforce China's economic posture within the SCO, or to transcend it if the SCO remains hesitant in economic integration. Finally, the "Silk Road Economic Belt" concept will enhance China's effort to engage the Russia-led economic integration for the former Soviet states. Already, the Customs Union of Belarus, Kazakhstan, and Russia was upgraded and institutionalized to the Common Economic Space in January 2012 with the creation of the Eurasian Economic Commission as its regulatory agency. By 2015, a Eurasian Union economic alliance of former Soviet states will be established. Aside from Kazakhstan (which is already in), all other Central Asian states have expressed their desire to join the Moscow-led economic union. Russian Trade Minister Andrei Slepnev claimed on Sept. 13 that more than 30 countries were interested in joining the Customs Union. With the slow progress of the SCO in the economic area, Beijing has been searching for alternative mechanisms to engage Central Asia before the finalization of the Eurasian Union in 2015.

### **SCO summit in Bishkek**

The 13<sup>th</sup> meeting of the SCO Council of Heads of State was held on Sept. 13 in Bishkek, just one week after the G20 meeting in St. Petersburg. The summit focused on SCO economic development and Afghanistan, according to the Kyrgyz news media.

"The real threat has emerged close to the Shanghai Cooperation Organization's borders that a military operation will be carried out against a sovereign state without the United Nations Security Council's sanction," warned President Putin in his speech, who spoke after the presidents of Kazakhstan and China. Both of them focused on economic issues. "We have a clear priority to consolidate the Shanghai Cooperation Organization with member states' cooperation efforts to uphold the norms and principles of international law and the United Nations' leading role in international affairs," continued Putin. Russia's effort to steer the conversation toward the Syrian issue apparently worked, as the Bishkek declaration devoted far more space to Syria and Iran than economic issues.

The Iranian nuclear issue, which was also in a critical stage with the 5+1 talks with Tehran, was also prominently featured in the joint declaration. "...[T]hreat to use force and unilateral sanctions against Iran as unacceptable. Continued development of the confrontational situation will have immeasurable serious consequences to peace and security in the whole region and the world at large. Member states believe that the issue can be resolved only with peaceful means."

In contrast, the declaration makes only passing references to Afghanistan. This may reflect the uncertain future of the country and the Afghan-US Bilateral Security Agreement (BSA). It may also reflect a rather uncomfortable fact that the SCO can do relatively little as a group in post-

NATO Afghanistan for at least three reasons: 1) the SCO is not a military alliance, nor does it have rapid deployment forces to replace the NATO-led International Security Assistance Force (ISAF); 2) as a security group, the goal of the SCO is to maintain internal security, not to project its forces to other countries; and 3) the SCO is based on the principle of non-interference in the internal affairs of others. That said, these restraints do not prevent individual SCO members from developing security ties with Afghanistan, the US, and ISAF. Already, most of the SCO's Central Asian members have assisted the ISAF in transporting supplies and personnel through the Northern Distribution Network (NDN) arrangement. Russia, too, significantly expanded its NDN operation through Russian airspace (via Russia's Ulyanovsk Airport).

The SCO leaders did seem to enhance its internal security mechanism in anticipation of the ISAF withdrawal from Afghanistan in 2014. One emerging consensus, particularly between Russia and China, was to expand and empower the SCO's Regional Anti-Terrorist Structure (RATS) with additional responsibilities for monitoring and disseminating information regarding drug trafficking activities. Eventually, RATS would become "a universal center to respond to security threats and challenges, which was proposed by Russian President Putin a year before." In his speech, President Xi echoed Putin's suggestion to upgrade and empower RATS as "a center with comprehensive ability to cope with various threats and challenges." The security function of the SCO would be significantly upgraded should RATS morph into such an intelligence gathering and information-disseminating center for regional security. It remains to be seen how Moscow and Beijing would be able to work on specifics to institutionalize a more capable RATS. This also requires reciprocity from RATS' host country (Uzbekistan), which is known for its independence from, if not indifference to, any regional security arrangements such as CSTO and to a lesser extent, the SCO.

### **Russia's "red line" for Central Asian railroads with China**

The Bishkek Declaration only offers 188 words (Part III) on SCO-related economic issues (212 words for Syria, 154 words for Iran, 143 words for Afghanistan, and 64 words for Korea). The issue of how to finance the SCO-approved projects – establishing a Russia-supported SCO Development Fund (Special Account) or a China-backed SCO Development Bank – remained unresolved. Part III ends with general remarks, such as "speed up the implementation of specific projects; expand regional interoperability; develop infrastructure; set up multi-functional international logistics, trade, and tourism centers; make use of new technologies and energy-saving techniques; and bring into play the potential of observer states and dialogue partner countries. To this end, member states will promote SCO regional trade and investment facilitation."

To be fair, the annual summit always focuses on broader issues such as regional and global affairs. Still, President Xi chose the occasion to integrate the "Shanghai spirit" – namely, mutual trust, equality, cooperation for mutual interests – with his newly unveiled "Silk Road Economic Belt" concept. Xi's speech was also carefully worded. Instead of calling for an FTA, Xi urged member states to "facilitate" trade and investment on the basis of mutual interests and comparative advantage. To alleviate Russia's concerns, Xi called for speeding up the creation of the Russia-proposed SCO special account. For the first time, Xi also called for the SCO energy club, an idea originating with President Putin in 2006.

It was unclear if all of these apparent “concessions” to Russia’s economic interests within the SCO were intended as a way to ensure Russia’s reciprocity with China’s “Silk Road Economic Belt” project. For Xi, the most important item in the project was the opening of a “grand thoroughfare for transportation and cargo movement between the Baltic Sea and the Pacific and from Central Asia to India and the Persian Gulf.” For this goal, the SCO bureaucrats produced a draft of the so-called “Agreement to Facilitate International Road Transportation.” Xi urged SCO members to sign it, and said that such a project should also be open for SCO observers and dialogue partners on a voluntary basis.

In response to Xi’s call for a Silk Road Economic Belt, Putin suggested tapping the potential of the existing Trans-Siberian Railroad and Baikal-Amur Mainline, which he said were being upgraded in the near future. “Russia is beginning to modernize the Trans-Siberian Railroad and Baikal-Amur Mainline. We are allocating considerable budget financing and bank loans for these projects and invite you to participate in them,” Putin told his SCO counterparts. Meanwhile, Russia, Belarus, and Kazakhstan are planning to create a rail transportation joint venture apparently within the framework of the Russia-led Eurasian Economic Space and was said to handle part of the trade volumes between China and Europe.

For years, China has pushed railway linkages between China’s western borders through Central Asia all the way to the Caspian Sea or Europe. Part of this railroad strategy is the 268-km China-Kyrgyzstan-Uzbekistan line, which was first conceived in 1997. The project would cost \$4 billion for 48 tunnels, 95 bridges, and 4 stations. Once constructed, it would generate an annual income of \$260 million for Kyrgyzstan. Prior to the Bishkek meeting, the light seemed to be finally appearing at the end of the tunnel, after years of hesitation and inaction. Kyrgyz First Vice Premier Joomart Otorbaev declared on Sept. 11 when Xi arrived at Tashkent that the railroad is “our economic priority.” Kanat Abdikerimov, the coordinator of the Kyrgyzstan Railway Project, announced before the Bishkek summit that the construction of the China-Kyrgyzstan-Uzbekistan railway would begin in early 2014.

Russia, however, seemed alarmed by these moves, particularly by the 1,435mm track width for the proposed rail line, which is the Chinese and EU standards, but differs from Russia’s 1,520mm standard. The *Moscow Times* said this “could become a rival alternative to the Trans-Siberian Railroad.” Aleksandr Sobyenin of the Border Cooperation Association in Moscow spoke to *Nezavisimaya Gazeta* in Moscow two days before the SCO summit and said “The Chinese standard track gauge in Kyrgyzstan automatically calls security into question. Not only Kyrgyzstan’s security but also Russia’s.” The same Russian media also quoted Sergey Masulov, president of the Centre for Policy Studies and a representative of the Russian Institute of Strategic Studies in Kyrgyzstan, as saying “If we proceed from the interests of Kyrgyzstan and Uzbekistan there is no need for this railroad. Neither Kyrgyzstan nor Uzbekistan produces goods that would be in demand in Asia’s markets apart from mineral resources and hydrocarbons. But these are China’s interests.... China is laying gas pipelines and building railroads and highways. All of this infrastructure will optimally help it to use Central Asia in economic terms for its own needs and requirements,” Masulov noted. Another Russian expert Kubat Rakhimov warned that the Chinese-Kyrgyzstan-Uzbekistan railroad would divide Kyrgyzstan into south and north sectors, thus deepening the confrontation between the regions, and that only the pro-China lobby

in Kyrgyzstan asserts that the mainline railroad will unite the two regions of the country. Rakhimov also predicted that the “mythical revenue from freight transit” would not “cover the cost of building the railroad in high mountain conditions.” Elsewhere, Rakhimov warned about the prospects of a massive flow of Chinese workers into Central Asia even without the railroad; half a million of Chinese were already in Kyrgyzstan; their Chinatown ideology and the quasi-military nature of China’s railroad construction companies would lead to the PLA’s “infiltration” into Kyrgyzstan through the project, and therefore posed a strategic threat to Central Asia and Russia. A few days after the summit, *Nezavisimaya Gazeta* declared that China was seeking a “Unified system of control over Central Asia,” and Xi’s Central Asia visits “recall the actions of the Chicago Mafia: He is making presidents offers that are hard to refuse...,” and that “The Chinese railroad enters into direct competition both with Russia’s Trans-Siberian Railroad and with the Kazakhstan-Turkmenistan-Iran transport corridor via Beyneu-Gorgan, which has already been completed. Its construction also changes all of Kyrgyzstan’s civilizational paradigms, reorienting them toward China.”

For years, Kyrgyz public opinion and political elites have been divided over the railroad linking it with China and Uzbekistan. Having “lost” its monopoly over Central Asia’s gas export, Moscow apparently drew the red line in Central Asia to avert China’s railroad projects. In recent months, it was Russia and not Central Asian states that opposed the China-Kyrgyzstan-Uzbekistan railway project. Russia’s intensive lobbying against the railroad apparently worked. At yearend, Kyrgyzstan turned down the project. Prior to this, the CSTO meeting in Bishkek in May 2013 proposed, for the first time, the Russia-Kazakhstan-Kyrgyzstan-Tajikistan railroad project. The CSTO line apparently serves two purposes: to exclude Uzbekistan, which withdrew from the Russia-led security organization in June 2012, and to provide an alternative to the China-Kyrgyzstan-Uzbekistan line, at least for the time being. If completed, it would connect with the Turkmenistan-Iran-Persian Gulf line. The project was further discussed in the “Transportation Week 2013” in Moscow by the railroad ministers of Russia and the Central Asian states. The CSTO project is still in the stage of conducting a feasibility study. Its immediate goal, however, seems to be to offset the Chinese project.

“The China-Kyrgyzstan-Uzbekistan rail project would never be constructed as long as Russia remains a passive observer or even a spoiler,” commented Hou Aijun, a historian in China’s Academy of Social Sciences in an interview with the *Global Times* at the end of 2013. Hou noticed that despite Russia’s limited ability to build a rail project in Central Asia, its “obstructive capability” should not be underestimated. In working with Central Asian countries for joint projects, China should also consider factors beyond those countries, particularly Russia’s interests. Ultimately, argued Hou, China’s goodwill may not change Russia’s attitude. It largely depends on if Russia could consider the issue in a normal and rational manner.

### **SCO Prime Ministers Meeting in Tashkent**

The SCO held its 12<sup>th</sup> Prime Ministerial Meeting in Tashkent on Nov. 29. This time, business issues dominated the agenda. The prime ministers agreed in a joint communique that SCO countries need to strengthen dialogue, expand fiscal and financial cooperation, and deepen regional trade and investment collaboration. The one-day meeting also discussed issues ranging from emergency response, health care work, infectious diseases, education, tourism, to cultural

exchange. The prime ministers inked an agreement to intensify multilateral transportation cooperation and take the development of an international transport corridor as a top priority. The brief document, however, lacked specifics for action. It was quite a surprise that the issue of the SCO energy club was not included in the communique, despite the consensus between Putin and Xi at the summit in early September as well as the urging by the Russian and Chinese prime ministers at the Tashkent meeting. Nor did the participants reach any consensus about the SCO bank and special fund proposed by China and Russia, respectively.

One new development was China's offer to create a China-Eurasian Fund for economic cooperation. Premier Li Keqiang explained that the fund was opened for all SCO member states, observers, and dialogue partners. As the creation of the SCO bank was still up in the air, China now decided to take a unilateral action to fund various projects within the SCO framework.

The Tashkent meeting followed Li's attendance at the third China-Central and Eastern European Countries (CEEC) Summit in Bucharest, Romania on Nov. 26-27. While there, Li and 15 European counterparts explored opportunities to further expand trade, investment, financial, cultural, educational, and tourist interactions. The total trade volume between China and the 15 CEEC countries in 2012 was \$50 billion, which is similar to China's trade with five Central Asian nations and China intends to double this in five years. For this goal, China set a special \$10 billion CEEC Fund in 2012, with \$500 million having been disbursed so far.

To a certain extent, the annual SCO gatherings seem to show some "summit fatigue." One possible explanation is the proliferation of multilateral forums, from within and outside the region. According to one account, Premier Li attended 53 meetings of various kinds in the 120 hours he was in Bucharest and the SCO meeting in Tashkent. Prior to this, President Xi also traveled through Central Asia to Europe and back with an extremely busy schedule. Within the SCO, there are a growing number of functional meetings/workshops at various levels of governmental bureaucracy. Over time, they have assumed a life of their own to the point that the summits become increasingly dependent upon the progress of the specialist meetings. A glimpse of SCO's one-year activities shows the following functional meetings:

- Ministers responsible for external economic and trade activity (Bishkek, Nov. 13, 2012)
- Agriculture ministers (Astana, Nov. 30, 2012)
- Heads of supreme courts (Moscow, Feb. 20-22, 2013)
- SCO Forum (Beijing, April 17-18, 2013)
- Secretaries of security councils (Bishkek, April, 29, 2013)
- Heads of counternarcotics agencies (Bishkek, April 30, 2013)
- Culture ministers (Bishkek, May 23-25, 2013)
- Ministers of defense (Bishkek, June 26, 2013)
- Ministers of foreign affairs (Cholpon-Ata, July 12-13, 2013)
- Justice ministers (Beijing, Sept. 5-6, 2013)
- Heads of ministries and departments responsible for emergency prevention and relief (Saint Petersburg, Sept. 10, 2013)
- Heads of ministries and departments of science and technology (Astana, Sept. 11, 2013)
- Attorneys General (Bishkek, Sept. 27, 2013)
- Meeting for cooperating anti-terrorism actions (Tashkent, Oct. 25, 2013)

Many of these meetings at the bureaucratic levels are held annually, with growing loads and degrees of specializations to handle various issues for the SCO.

Despite these growing pains, there have been sufficient common interests to sustain the SCO. However, its member states do have diverse and asymmetrical stakes, interests, and attention spans for the regional organization. China is perhaps the only country that has devoted a lot of attention to the SCO for a simple reason – the SCO is the only multilateral organization through which Beijing interfaces with Central Asia beyond bilateral ties with individual SCO members. This is in sharp contrast to the multiple outlets, channels, and layers among other SCO members. SCO's Central Asian states have engaged in other multilateral groups either among themselves or with those outside the region (NATO, EU, CSTO, etc.). Russia, too, has multiple tools in its Central Asian “basket.” In the security area, Moscow set up the CSTO group, which has developed its own rapid deployment units and integrated air defense system. In the economic sphere, most current and aspiring members of Russia-backed Eurasian Economic Community are Central Asian states. They participate in the SCO because it is useful, comfortable, and allows significant freedom of action. SCO's inability to come to consensus regarding certain key issues in the areas of financing and transportation is, therefore, not a surprise.

### **Russia's new strategy meeting an “old” Asia**

During the APEC meeting on Oct. 7, President Xi urged President Putin to enhance coordination to maintain Asia-Pacific regional security and stability, and to promote prosperity. Xi's concern about security in the Asia-Pacific was genuine, given the rising tension in Northeast and Southeast Asia. Just a few days before the Bali meeting, a widely circulated weekly journal, *Liaowang*, published an interview with Chinese military analyst Meng Xiangqing. He argued that the next 10 years could be the most difficult period for China's development and could also see the growth of internal and external security pressure.

For Moscow, the question is what to do with an increasingly polarized Asia-Pacific. This question seemed to increasingly confront Moscow's foreign policy community at a time when Russia, too, had been pivoting to Asia-Pacific. Indeed, Russia accelerated its engagement in the Asia-Pacific in the last few months of 2013. On Nov. 2, Russia and Japan held their first-ever “two plus two” meeting in Tokyo, which brought together their respective foreign and defense ministers to discuss security issues. After decades of stagnation, Russia seemed willing to decouple the territorial dispute with Japan from other issues. The Tokyo-Moscow tie will certainly be improved in 2014 when Putin is due to visit Japan in reciprocation to Prime Minister Abe Shinzo's trip to Russia in April 2013.

On Nov. 12, President Putin visited Vietnam. Just five days before, Vietnam received the first of six Russian *Kilo*-class submarines while the second one was going through sea trials. All of them are equipped with more advanced devices and armament than the *Kilos* sold to China years ago. Meanwhile, Putin and his hosts were actively brainstorming the possible return of the Russian fleet to the strategic Vietnamese port of Cam Ranh Bay. For Vietnam this is highly important in countering the growing threat from China. Some Russians were reportedly toying with the idea that Russian arms sales were actually helping China because they prevent Vietnam from turning

to the US. Until now, China has not publicly raised the issue of Russian arms sales to Vietnam. Public opinion in China, however, has started questioning Russia's moves.

In Seoul on Nov. 12-13, Putin unveiled his "three strikes" Korea policy with the endorsement of President Park Geun-hye: joining the Trans-Korean and the Trans-Siberian railways; normalizing relations between North and South Korea; and building a trans-Korean gas pipeline. Apparently, Russia had become impatient with the six-party mechanism and launched its own program for settling the conflict on the Korean Peninsula.

These activities seem to point to an emerging Russian strategy of distancing itself from China. Moscow-based *Nezavisimaya Gazeta*, for example, explained in mid-December that seeking alternative approaches in the region was expected to make Beijing take Russia more seriously. One wonders if this applies to other regions as well such as Central Asia and more recently, Ukraine. China's generous economic package (more than \$8 billion) to Kiev in the ongoing tug-of-war between EU and Russia, coupled with China's unprecedented offer of nuclear deterrence to Ukraine, may or may not be in Russia's long-term interests. The China-Ukraine deal is particularly sensitive for Russia in the areas of military sales and technology transfers. At a more personal level, Ukrainian President Viktor Yanukovich met Putin in Russia's Sochi for only six hours after spending three days in China. Beyond this, Russia's pivot to Asia would also serve its economic purpose of diversifying and increasing foreign investment in Russia's Far Eastern infrastructure, said *Nezavisimaya Gazeta*. At the geostrategic level, distancing itself from China will increase Russia's strategic space in Asia by avoiding being viewed as an ally only to China.

The challenge for Russia is that the region was being rapidly polarized, particularly after Japanese Prime Minister Abe's visit to the Yasukuni Shrine. Russia, however, reacted to Abe's visit on Dec. 26 with a rather low-key "regret" by Foreign Ministry spokesman Alexander Lukashevich. Four days later, Foreign Minister Lavrov came around with a much stronger stance after a telephone call with his Chinese counterpart, Wang Yi. Lavrov reportedly told Wang that Russia held a completely identical stance with China on the Yasukuni Shrine issue – Russia opposed Abe's visit to the shrine, and that it was provocative to its Asian neighbors. Lavrov urged Japan to correct its erroneous historical view and avoid further moves that would hurt the feelings of the victims of Japanese aggression and would intensify regional tension.

In 2014, Russia may continue to search for a new strategy in Asia-Pacific. Geopolitics, however, may have its limits on certain issues such as the senseless killing of the innocent – be in Nanjing, Auschwitz, My La, 9/11, Beslan, or more recently Volgograd (north of Sochi). This is particularly true in East Asia, where the ghosts of 20<sup>th</sup>-century wars still haunting the region.

## **Chronology of China-Russia Relations** **September – December 2013**

**Sept. 5, 2013:** President Vladimir Putin meets President Xi Jinping on the sidelines of a G20 Summit in St. Petersburg shortly before an "informal" meeting of the BRICS (Brazil, Russia, India, China, and South Africa) leaders.

**Sept. 6, 2013:** Foreign Minister Sergei Lavrov and Chinese counterpart Wang Yi meet on the sidelines of a G20 Summit and discuss Syria and the upcoming SCO summit.

**Sept. 13, 2013:** The 13<sup>th</sup> Shanghai Cooperation Organization (SCO) Council of Heads of State is held in Bishkek, Kyrgyzstan. Regional security, economic development and Syria were the focus of the meeting.

**Sept. 17, 2013:** Foreign Minister Wang and Russian counterpart Lavrov have a “comprehensive and in-depth exchange of views on the Syria crisis” via phone.

**Sept. 19, 2013:** Defense Minister Sergey Shoygu tells participants in the Valday international debating club that Russia sees NATO as a threat and China as a partner, according to Foreign and Defense Policy Council Presidium Chairman Fedor Lukyanov, who also attends the meeting.

**Sept. 22-25, 2013:** Chairman of the Standing Committee of China’s National People’s Congress Zhang Dejiang visits Russia at the invitation of Valentina Matviyenko, chairwoman of the Russian Federation Council, and Sergei Naryshkin, chairman of the State Duma. Zhang and Matviyenko attend the 7th meeting of the China-Russia Parliamentary Cooperation Committee. He is also received by President Putin. Zhang also visits Russian city Irkutsk.

**Sept. 25-26, 2013:** Foreign Ministers Wang and Lavrov meet twice at the UN. They agree that scenarios involving use of force against Syria are “unacceptable.”

**Oct. 1, 2013:** President Putin sends a congratulatory message to President Xi on the occasion of People’s Republic of China’s 64<sup>th</sup> anniversary.

**Oct. 7, 2013:** President Xi and President Putin met on the sideline of the APEC Economic Leaders Meeting in Bali.

**Oct. 21-23, 2013:** Prime Minister Dmitry Medvedev visits China to attend the bilateral Prime Ministers Meeting, which was launched in 1996. Twenty-one agreements are signed. Medvedev also meets President Xi. Medvedev also visits University of Science and Technology of China (USTC) in Hefei, Anhui Province.

**Oct. 25, 2013:** SCO holds a one-day anti-terror and anti-extremism conference in Tashkent. Participants include representatives of anti-terrorism bodies of member-states and observer states. It is the first-ever such meeting, which is held by initiative of the SCO Regional Anti-Terrorism Structure (RATS). The delegates decide to meet on a regular basis.

**Oct. 29-31, 2013:** At the invitation of Defense Minister Sergey Shoygu, Xu Qiliang, vice chairman of China’s Central Military Commission (CMC) visits Russia. Xu is accompanied by Zhang Youxia, director of the General Armaments Department (GAD), Wang Guanzhong, deputy chief of general staff, Li Andong, director of the Science and Technology Commission under the GAD and deputy director of the GAD Liu Yi, deputy commander of the PLA Navy, and Zhang Honghe, deputy commander of the PLA Air Force.

**Oct. 28, 2013:** Russian and Chinese diplomats at the bureau level meet in Beijing to discuss interstate relations in Central Asia and post-ISAF Afghanistan.

**Nov. 5, 2013:** Chinese and Russian militaries hold their 16<sup>th</sup> strategic consultation in Beijing. Lt. Gen. Wang Guanzhong, PLA's deputy chief of general staff, and Russian counterpart Gen. Vladimir Zarudnitskiy co-chair the consultation.

**Nov. 10-12, 2013:** The 12<sup>th</sup> Meeting of the Foreign Ministers of Russia, India and China (RIC) is held in India (Nov. 10). External Affairs Minister Salman Khurshid, Foreign Minister Wang and Foreign Minister Lavrov attend. The three are also among the 48 foreign ministers travelling to India for the ASEM (Asia-Europe) Foreign Ministers on Nov. 11-12.

**Nov. 20, 2013:** Pakistan, China, Russia hold second round of Trilateral Dialogue (at the ambassador level) on Afghanistan in Islamabad. The next round of Trilateral Dialogue will be held in Moscow in the first half of 2014. The first session took place in Beijing in April 2013.

**Nov. 22, 2013:** "Tourism Year of China" in Russia ends with a ceremony in St Petersburg. Vice Premier Wang Yang and Russian counterpart Olga Golodets preside over the event.

**Nov. 29, 2013:** The SCO holds its 12<sup>th</sup> Prime Ministers Meeting in Tashkent. Participants include the SCO Secretary General Dmitry Mezentsev, Director of the Executive Committee of the Regional Antiterrorist Structure Zhang Xinfeng, board chairmen of the Business Council, the Council of the SCO Interbank Association, representatives of observer nations (Afghanistan, India, Iran, Mongolia and Pakistan), and representatives of partner organizations (UN, ASEAN, and CIS). Premier Li meets Russian counterpart Medvedev on the sidelines.

**Dec. 13, 2013:** Foreign Ministers Lavrov and Wang hold a telephone conversation on the initiative of the Chinese side to discuss Syria.

**Dec. 17, 2013:** Russian Minister of Internal Affairs Vladimir Kolokoltsev visits Beijing. He is received by Chinese security chief Meng Jianzhu (secretary of the Commission for Political and Legal Affairs of the Communist Party of China Central Committee) and Minister of Public Security Guo Shengkun.

**Dec. 30, 2013:** President Xi extends condolences to President Putin over two terror attacks in Russia's southern city of Volgograd. Premier Li also sends a message to Prime Minister Medvedev over the deadly attacks. Foreign Minister Wang and Russian counterpart Lavrov have a phone conversation to exchange views on the serial blasts in Volgograd and Japanese Prime Minister Shinzo Abe's visit to the Yasukuni Shrine.

**Dec. 31, 2013:** Chinese President Xi Jinping and his Russian counterpart, Vladimir Putin, exchange New Year greetings.